

THE DOUBLE FOCUS: PROCESS AND PREDICAMENT IN POLITICAL ECONOMY

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Abstract

This dissertation is about the conceptual problems and existential tensions that animate theories of political economy. I argue that most theories of political economy adopt an ontological stance that Charles Taylor calls the “double focus,” that is, a view of society that attempts to unite ideas about impersonal social processes with an understanding of the context and powers of human agency. Thus political economists have often seen the economy as both an objective historical force and as a potential site of human freedom and creativity. I claim that this stance is inherently unstable, that it tends to vacillate between a sense of historical fatalism, an anxious longing for freedom and mastery, and a utopian affirmation of impersonal orders. Major theories of political economy have been motivated, in part, by an urge to reconcile these competing existential demands. The first three chapters analyze unsatisfactory attempts to reconcile the competing imperatives of the double focus. Chapter 1 examines Jean-Jacques Rousseau’s *Discourse on the Origin of Inequality*. I argue that Rousseau’s sense of economic history as a tale of arbitrary injustice and inequality pushes him towards a dangerous version of philosophical nihilism. Chapter 2 looks at Adam Smith and explores his attempt to redeem commercial society by showing that impersonal orders of exchange can help foster individual virtue. I argue that Smith’s optimistic account cannot be sustained, largely because it depends on a flawed conception of subjectivity, but also because the institutional structure of market economies has mutated in ways that make Smith’s vision less tenable. In Chapter 3, I explore the work of F.A. Hayek and show that it represents a utopian radicalization of liberal thought. I claim that Hayek’s turn to evolutionary theory eviscerates much that was valuable in the ethical standpoint of the older liberalism. Finally, in Chapter 4, I examine the work of Karl

Polanyi. I argue that Polanyi's work offers a promising alternative because he explicates a tragic vision of the human predicament, crafting a sensibility that avoids dangerous utopian aspirations and instead embraces an uncertain freedom in an imperfect world. Polanyi's tragic ethos attempts to avoid the most destructive consequences of the double focus: the vacillation between a false utopianism and a misguided fatalism that has plagued the history of political economy.

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The Double Focus: Process and Predicament in Political Economy

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Introduction: The Double Focus of Political Economy

*"Science, separated from philosophy, is the opiate of the suburbs."*¹ - Yeats

1. The Double Focus

This dissertation argues that theorists of political economy face a common dilemma, namely, the need to reconcile an understanding of the human predicament with a notion of impersonal processes. How can one give an account of the world that simultaneously describes the economic patterns that we observe over the *longue durée* but also takes account of human agency and the problems that surround it, including the longing for freedom and the avoidance of suffering? There seems to be a fundamental disjuncture between the broad movement of social change and the choices, ethical and otherwise, individuals must make at any given moment. Keynes gestured towards this problem when he quipped, "In the long run, we are all dead. Economists set themselves too easy, too useless a task, if in tempestuous seasons they can only tell us, that when the storm is past, the ocean is flat again."² But, as Keynes knew, whether the seas look rough or smooth depends on the vessel in which one is traveling, just as our understanding of economic processes is inseparable from some conception of the limits and exigencies of the human predicament. That is my claim, at least.

I take my cue, in part, from the work of Charles Taylor. In *Modern Social Imaginaries*, Taylor observes that a split between the perspective of the agent and theories of impersonal order constitutes the "double focus of modern consciousness of society," a sort of horizon that modern thought continually retraces.³ He points out that the new modes of political thought

¹ Yeats, W. B., *Yeats's Poetry, Drama, and Prose: Authoritative Texts, Contexts, Criticism*, Norton, 2000, 257.

² Keynes, John Maynard, *A Tract on Monetary Reform*, Macmillan, 1971, 65.

³ Taylor, Charles, *Modern Social Imaginaries*, Duke, 2004.

that emerge in early European modernity — ideas about the economy, the public sphere, the nation, and democracy — each attempt to unite some understanding of agency or freedom with a notion of an ordered process.⁴ This split perspective is part of the background context that makes complex society intelligible and therefore livable.⁵ It also helps us to make sense of ourselves as agents who, to some uncertain degree, shape and are shaped by a series of ongoing processes, ranging from politics to economics to ecology. As a way of understanding the human predicament, the double focus is part of the "tone" or feel of our lived experience, since much of the urgency of contemporary life stems from just this consciousness of being an agent entangled in a variety of impersonal processes.

However, there is a kind of dissatisfaction or anxiety latent within the split perspective. Taylor suggests that, because ideas of agency and impersonal order seldom co-exist without tension, attempted resolutions and reconfigurations of the double focus are typical of the human sciences that take shape after the 16th century.⁶ There is a continual urge to render these two polarities compatible, to grasp the whole, to see harmony in a world that seems fractured by the split perspective. From this angle, political economy can be seen as one species of a broader genus of modern social thought, one mode of a loose set of theories and intuitions that continually brushes up against a similar set of problems. One such problem, to which Taylor alludes with his concept of a double focus, is the apparent incompatibility between ideal pairings that have been variously labeled agency and structure, freedom and order, autonomy

⁴ Ibid., 69.

⁵ "By 'context of understanding' here, I mean both matters that will probably have been explicitly formulated by almost everyone...and some which form the implicit, largely unfocused background of this experience...its 'pre-ontology,' to use a Heideggerian term." Taylor, Charles, *A Secular Age*, Harvard, 2007, 3.

⁶ I take this to be one thread that unites his diffuse speculations in *Modern Social Imaginaries*.

and heteronomy, familiar oppositions that might be characterized in more general terms as the tension between impersonal process and human predicament.

In what follows, I build on the insights of Taylor and others by reading four major theorists of political economy (Rousseau, Adam Smith, F.A. Hayek, and Karl Polanyi) with an eye towards the way that each writer approaches the double focus of modern social thought.⁷ I argue that each theorist has a unique conception of the human predicament and its involvement in complex economic, historical, and ecological processes. For each, ideas about the extent of human agency and frailty combine with (often incompatible) notions of change and structure to define the parameters of politics. I claim that each thinker attempts to reconcile the two perspectives of the double focus within a theory of political economy, thereby creating a vision of the world in which agency/freedom and order/impersonal process can co-exist. I try to show why, more often than not, such attempts have been unsuccessful and have led in unproductive or destructive directions.

Such a reconciliation might be sought in many different ways, but two tendencies are particularly pronounced. On the one hand, a theorist may focus on the idea of impersonal order in the hope that an objective understanding of social processes will allow us to adjust human action, bringing it into a proper alignment with the world. This desire is evident, for example, when Adam Smith speaks of "the beauty of a systematical arrangement...connected by a few common principles."⁸ He seems to suggest that once we understand the beautiful principles at

⁷ In addition to Taylor, several other thinkers have shaped my understanding of the tensions within modern thought. The works of William E. Connolly have been important in alerting me to the existential aspects of political economy (see especially Connolly, William E. *Capitalism and Christianity, American Style*, Duke, 2008; and Connolly, William E., *The Fragility of Things*, Duke, 2013). Michel Foucault's *The Birth of BioPolitics* taught me to look for the political underpinning of economic thought (see Foucault, Michel, *The Birth of Biopolitics*, Palgrave, 2008). I learned from Robert Pippin about the dialectical ambiguities of the modern quest for autonomy (see Pippin, Robert B., *Idealism as Modernism: Hegelian Variations*, Cambridge, 1997).

⁸ Smith, Adam, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Liberty Classics, 1976, 769.

work in markets and networks of exchange, it will be that much easier to make our own lives beautiful. From his perspective, it is much easier to go with the grain of the world, and as such the operations of impersonal historical and economic processes help give context and meaning to the actions of human agents. But Smith, who began his career as a moral philosopher, also allows us to see how aesthetic and ethical concerns are from the very start intertwined with his research into political economy, to the point where it is often difficult to demarcate the moment when one set of concerns ends and another begins. The search for an impersonal order is itself motivated by a diffuse set of thoughts, anxieties, and intimations, many of which remain unarticulated. Bringing to light some of these unarticulated concerns is one major task of this dissertation. At this point, however, I would simply like to note that the desire to grasp the true workings of an impersonal economic order is widespread and crosses ideological boundaries. For example, it is an important source of motivation in some varieties of Marxism and in much contemporary neoliberalism.⁹

On the other hand, a thinker may begin from the opposite direction and ask how impersonal processes can be resisted or brought into alignment with the demands of human moral agency. Rousseau's republican call for freedom under a law that one provides to oneself

⁹ As Roberto Unger has noted, "The ideas about social structures we have inherited from classical social theories like Marxism remain entangled in...necessitarian assumptions." For Unger, traditional Marxism and neoliberalism are alike to the extent that both views tend to see political and intellectual change as driven primarily by factors "internal" to the economic process. See Unger, Roberto, *The Left Alternative*, Verso, 2009, 12-15.

Furthermore, I would add that this economic strain in Marx's thought is present throughout much of his writing and is not confined to a single set or period of works. Consider the following passage from his late essay *The Critique of the Gotha Programme*: "In a higher phase of communist society, after the enslaving subordination of the individual to the division of labor, and there with also to the antithesis between mental and physical labor has vanished; after labor has become not only a means of life but life's prime want; after the productive forces have also increased with the all-round development of the individual, and all the springs of cooperative wealth flow more abundantly, only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: from each according to his ability, to each according to his needs!" Marx speaks as if the division of labor and distribution of property were the primary determinants of the human predicament. Marx, Karl, *Selected Writings*, Ed. David McLellan, Oxford, 2000, 615.

is one well-known example, but, once again, this approach reoccurs.¹⁰ For instance, Karl Polanyi, the Hungarian social theorist and economic historian, asks:

How can we be free, in spite of the fact of society? And not in our imagination only, not by abstracting ourselves from society, denying the fact of our being interwoven with the lives of others, being committed to them, but in reality, by aiming at making society as transparent as a family's life is, so that I may achieve a state of things in which I have done my duty towards all men, and so be free again, in decency, with a good conscience.¹¹

In this passage, with its Rousseauian overtones, Polanyi gives voice to the desire that society be made "transparent." He speaks as if the goal is to grasp the whole set of complex social processes as an extension of his own actions and moral intuitions so that imperatives of duty and conscience can be satisfied. Again, we witness the dense intertwining of motives that animates the search for a reconciliation of two dissonant perspectives on the world. What each of these examples — Smith's search for beautiful, impersonal principles and Polanyi's plea for human agency — illustrate is that the split consciousness of the double focus is not simply a theoretical problem or epistemological puzzle. Rather, it is folded into the experience and conditions of everyday life, a self-understanding that generates its own tensions and problems.

To put it simply, I argue that political economy is a style of thought driven, at least in part, by an existential need to justify the world, to reconcile us to its imperfections, and to explain how to obtain the good things in life. Addressing these existential questions requires a theorist to craft a vision in which human predicament and impersonal process coexist. As a result, writers from Max Weber to Polanyi to Taylor have observed that political economy frequently encroaches on questions whose answers were once sought in the religious sphere.

¹⁰ Rousseau, Jean-Jacques, *The Social Contract and Other Later Political Writings*, Ed. Victor Gourevitch, Cambridge, 1997, 54.

¹¹ Quoted in Dale, Gareth, *Karl Polanyi: The Limits of the Market*, Polity, 2010, 31.

If this claim sounds grandiose, I can only ask readers to suspend judgment for a time. Besides, the idea is not really so strange. As Peter Berger reminds us, one of the traditional tasks of a religious theodicy is to make sense of worldly suffering, to answer the question "Why does God permit some men to eat and others to go hungry?"¹² "Theodicies," he points out, "provide the poor with a meaning for their poverty, but may also provide the rich with a meaning for their wealth."¹³ To the extent that political economy seeks to cope with a similar set of questions — to explain who suffers, who prospers, and why — it tends to internalize the sorts of existential concerns previously tied to theodicy. I attempt to show that, as with theodicy proper, a kind of anxiety and a utopian hope are the twin poles toward which economic discourse is continually pulled. All of this will, I hope, become clear once we examine the texts.

The urge to reconcile process and predicament, and the repeated failure of such attempts, provides a lens through which to read political economy since Rousseau; it provides one way to understand the continuing impact of economic ideas as a form of political discourse. I will discuss well-known ideas such as Rousseau's critique of inequality and Adam Smith's defense of commerce; but I will also attempt to show that their meaning and origin can be traced to attempts to reconcile the double focus of modern social theory.

2. The Problem with Capitalism

Ironically, my project also has its roots in a kind of twin failure, at once personal and systemic. In 2008, capitalism failed, and I failed to understand it. Like so many others struggling to come to terms with the political scene that emerged from the wreckage of the

¹² Berger, Peter L., *The Sacred Canopy*, Doubleday, 1967, 59.

¹³ *Ibid.*, 59-60.

financial crisis, I felt the need for some framework that might help me understand both the fragile state of global capitalism and its surprising resilience. At that time I was reading a good deal of Marx. As a result, my first instinct was to take a comparative look at various theories of the historical foundations of capitalism, running the gamut from Adam Smith to reconstructed Marxists such as Wallerstein and Arrighi. My goal was to place them alongside one another, to line up their theoretical worlds, the better to see which hypotheses "got it right" and came closest to capturing the essential dynamics of really existing capitalism. I was basically satisfied with the outcome, until a friend put to me an innocent question — "What is capitalism?" — that made me go red in the face. That sense of embarrassment became the most valuable lesson to emerge from that earlier enterprise, because, of course, I saw at once that I did not understand exactly what capitalism was, or even how to begin parsing the mass of unarticulated assumptions, moral attitudes, and empirical observations that congregate around the term.

If I were still in a Marxist mood, I might say that this new project emerges as the negation of that earlier failure. This is because I would now like to try to think about theories of political economy while minimizing the importance of capitalism, at least as it is typically understood. Perhaps, as an experiment, we should try not to speak quite so much about capitalism, and pause to take a closer look at the ideas and debates that may be obscured by overreliance on such a conceptual shorthand. In making this suggestion, I certainly do not want to imply that the various issues we usually subsume under the idea of capitalism (economic growth, inequality, ecological degradation, exploitation, market self-regulation, unprecedented material prosperity, individualism, etc.) are of no importance. Instead, my goal is to show how

these issues acquire different meanings and different political valences as part of a larger, often unarticulated, stance on the relationship between humans and impersonal processes.

This interpretive task is important because the unarticulated background tends to have a major impact on what ideas actually mean in the day-to-day world of real political contestation. And this is especially evident if we want to think about not just *what* particular ideas are widely held or politically effectual, but *how* these ideas are deployed and believed. To take just one example, although Hayek and Adam Smith both advocate a version of individual liberty, the intensity that this concept acquires in their work is completely different. While Smith tends to depict liberty as one good among others, for Hayek, whose theoretical work incorporates ideas about human evolution and long-term historical processes, liberty becomes a foundational right that the modern world constantly endangers. Liberty thus comes to function for Hayek (and many of his contemporary followers) as the cornerstone of a radical denunciation of contemporary politics. Paradoxically, then, the manner in which Hayek expounds his ideas and the sort of radicalism they bring to the public sphere has more in common with Rousseau's pessimistic indictment of modernity than it does with Smith's temperate liberal humanism. The crusading neoliberal and the radical champion of the popular will, both of whom can charge that "the system is broken" and in need of a fundamental transformation, have a great deal in common because they share a similar mode of belief, a similar passionate intensity. To understand these sorts of dynamics and the way they show up in contemporary debates and ideologies, we have to probe below the surface, and this requires the sort of hermeneutic effort that I engage in here.

Along these lines, I would like to emphasize something of which most of us are already more or less dimly aware: that, with the possible exception of Marx himself, many of the

philosophers and economists that we typically recognize as the most perceptive observers of the economic world do not have all that much to say about "capitalism," a 19th century word that was coined with pejorative intent for use in a particular series of political battles.¹⁴ (In fact, according to Braudel, Marx himself never uses the word *Kapitalismus*.)¹⁵ Like all language, but especially political language, the word capitalism carries distinctive traces of meaning and primes us for particular expectations and experiences. It shades into notions of exploitation and decay on the one hand, and points toward grand possibilities of future abundance and individual liberty on the other. The word capitalism inflects political thought in advance.

Thus, it should not surprise us that keen observers have sought after novel designations of economic phenomena almost as long as people have been writing about economics, or that capitalism has seldom been a favored term of art. In the 18th century, Rousseau and Adam Smith focus their very different examinations of political economy on an idea of "commercial society."¹⁶ In the 20th century, Karl Polanyi speaks of "market society."¹⁷ And in his revitalization of the classical liberal vision, F.A. Hayek talks about the spontaneous social order of "catallaxy."¹⁸ To assume that beneath these diverse labels rests a depiction of the same, relatively stable and transparent institutional/historical configuration, to call it "capitalism," and then to read these theorists as if, despite what they wrote, what they *really* meant to give us was a set of different evaluations of what is basically the same thing — this seems like a sloppy way to pursue a theory.

¹⁴ Heilbroner, Robert L., *The Nature and Logic of Capitalism*, Norton, 1985, Ch. 1.

¹⁵ Braudel, Fernand, *The Wheels of Commerce*, Harper & Row, 1982. 237.

¹⁶ Hont, Istvan, *Politics in Commercial Society: Jean-Jacques Rousseau and Adam Smith*, Ed. Bela Kapossy, Harvard, 2015.

¹⁷ Polanyi, Karl, *The Great Transformation: The Political and Economic Origins of Our Time*, Beacon, 2001.

¹⁸ Hayek, Friedrich, *Law, Legislation and Liberty*, 3 Vols., Routledge, 1973.

Instead, I propose that we take each of these writers at their word, and assume that they had related but distinct visions of economic life. Without the grounding assumption of a single historical or institutional context to which these theories refer, the task becomes that of nuanced interpretation, of paying closer attention to the unique aspects of what a particular thinker is trying to describe, the better to learn how that description functions politically as a frame for our day to day experience of economic life.

This alternative approach, however, appears to raise a question even more thorny than the one it seeks to avoid: namely, if we assume that Rousseau and Hayek might not be talking about the same thing, how can they enter into conversation at all? If capitalism or some other ostensibly empirical historical/institutional idea can't serve as a common denominator, then what is the alternative?

3. Process and Predicament

It should not be controversial to suggest that the modern discipline of economics as we know it emerges, in part, after the notion of nature as a process comes into wide circulation.¹⁹ It becomes a prominent way of understanding social order when, from Mandeville to the Physiocrats to Malthus, a number of thinkers conclude that nature is a *self-regulating* process; that it moves in an intelligible direction through linear time, that it possesses its own immanent laws and criteria of selection that determine this movement, and that this regularity allows humans to understand and either control or adjust ourselves to the process of nature.²⁰ It is their stance on this governing image of a self-regulating process (an image that begins to appear prior to both capitalism and the industrial revolution) that can serve as a red thread linking

¹⁹ Foucault, Michel, *The Birth of Biopolitics*, Palgrave, 2008.

²⁰ Hundert, E. J., *The Enlightenment's Fable: Bernard Mandeville and the Discovery of Society*, Cambridge, 1994.

economic thinkers. My hope is that this image will allow us to read the classic texts with fresh eyes for new possibilities.

Of course, there is another side to this story. Among political economists, Karl Marx (at least on some readings) and Karl Polanyi stress that the modern view of natural processes has its roots in a deeper philosophical and theological shift, and that this conceptual history leaves political economy with a kind of cultural residue.²¹ More precisely, they argue that a philosophical reconception of humanity's place in the universe is one precondition for the emergence of the idea of self-regulating natural processes. New ideas about social processes and the human predicament go together.

As Taylor tells the story in *Sources of the Self*, we might be able to trace part of the groundwork for this new understanding back to a series of theological debates in the 16th and 17th centuries between voluntarists (exemplified by Ockham but including Locke) and a group of philosophers known as the Cambridge Platonists (among whose numbers Taylor places Francis Hutcheson, the mentor of Adam Smith).²² For the voluntarists, the world God has created lacks a purpose until He intervenes through divine decree, subject to no rational or natural law beyond His own sovereignty. As Taylor indicates, this type of thinking is not far removed from some versions of modern materialism, because, in the absence of God, nature lacks intrinsic purpose or significance. The world becomes, in Max Weber's famous phrase, disenchanted.²³

²¹ Polanyi, Karl, *The Great Transformation: The Political and Economic Origins of Our Time*, Beacon, 2001, 87-9.

²² Taylor, Charles, *Sources of the Self: The Making of the Modern Identity*, Harvard, 1989, Ch. 15.

²³ Weber, Max, *From Max Weber: Essays in Sociology*, Ed. Hans Heinrich Gerth and C. Wright Mills, Oxford, 1946, 139.

For the Cambridge Platonists, the sense of God as separate and coldly sovereign is not only morally abhorrent, but it seems to raise the possibility that we live in an unpredictable world that is subject to divine revision at any moment. Instead, they argue that God continually sustains all creation through His love in an underlying, beneficent order.²⁴ He is therefore not fully separate from His creations, which are originally imbued with purpose and intelligible movement. This school will later shade into Deism as God recedes from the picture and a "clock work" nature begins to run according to its own mechanisms.²⁵

In this theological debate, we can see the conceptual space for something like the modern notion of a self-regulating process slowly emerging: the voluntarists make possible the thought that God is not present in nature, and the Cambridge Platonists attune thinkers to the idea that nature might have regularities of its own. In the last half of the 18th century, both conceptions make their way into economic thought, so that the economy can be seen as an impersonal order composed of countless individuals, each pursuing their own interests, shaping and being shaped by the larger process of exchange.²⁶

Although the idea is now commonplace, it is essential to understand the radical departure made possible by the conception of the economy as an impersonal order. The easiest way to see the break is by way of a comparison with Aristotle, whose treatment of political economy is representative of the traditional view. For Aristotle, the picture is reversed: the economy is defined by the self-sufficient household and trade is condemned as disorderly and excessive.²⁷ There is no awareness of a separate economic order beyond the personal

²⁴ Ibid., 250.

²⁵ Ibid., 251. See also Taylor, Charles, *A Secular Age*, Harvard, 2007, 293-6.

²⁶ Taylor, Charles, *Modern Social Imaginaries*, Duke, 2004, Ch. 5 "The Economy as Objectified Reality."

²⁷ Aristotle, *The Politics*, Ed. Stephen Everson, Cambridge, 1996, 1257a..

relationships that compose the *polis*, and therefore no need for a split-level theory that differentiates between agency and impersonal structure. Moreover, according to this older view, a theory of commercial exchange can only play a modest role in any understanding of political life, since the real sources of order and change are located elsewhere, e.g. in human nature (Aristotle), divine providence (Augustine), or martial virtue (Machiavelli). When this older picture is revised, so that economic activity itself can be seen as a source of impersonal order, economics becomes a major mode of thinking and speaking about politics. Answers to political questions must now be consistent with an economic theory that differentiates between individuals and impersonal order, giving rise to the existential tensions of the double focus. According to Polanyi, the new vision hopes to discover "an economic sphere in society that might become the source of moral law and political obligation."²⁸ Again, two perspectives are linked: the discovery of economic order alters the sense of moral obligation, and both changes push the understanding of politics in new directions.

Each of these conceptual shifts takes place before the arrival of scientific understandings of natural processes. Thus Hayek can say that "a nineteenth century social theorist who needed Darwin to teach him the idea of social-evolution was not worth his salt."²⁹ The conceptual groundwork had already been laid. More importantly, I want to suggest that this shift in theological and ontological conceptions is as fundamental to what will become economics as the well known ethical revaluation of avarice and self-interest away from traditional Christian condemnation and toward the favorable view Mandeville made famous in

²⁸ Polanyi, Karl, *The Great Transformation: The Political and Economic Origins of Our Time*, Beacon, 2001, 117.

²⁹ Hayek, Friedrich, *Law, Legislation and Liberty*, Routledge, 1973, 23.

The Fable of the Bees (1714), because only in the context of the new ontology could the new ethics make sense.

This brief detour through theology and philosophy is not tangential.³⁰ Taylor's brand of historical reconstruction is pertinent because it helps us to see that the concept of a natural process is not an obvious way to understand the world, that it is perhaps never going to be purely empirical, and that it is closely bound up with the way we conceive nature and experience.

Many of the best economists have been perfectly forthright about the imaginative labor involved in economic theory. Schumpeter, for example, writes:

The economic life of a non-socialist society consists of millions of relations of flows between individual firms and households. We can establish certain theorems about them, but never observe them all.³¹

When observation fails, theory and imagination fill in the gaps. Hayek puts the same idea in a more cryptic (and Kantian) idiom when he says, "Though we cannot see in the dark, we must be able to trace the limits of the dark areas."³² These dark areas are sites of an economic imaginary that does much of the work connecting innumerable observations and ideas that circulate in our thinking. The idea of an impersonal process is a particular way of bringing functional unity to a diverse set of observations and beliefs; it cannot be directly inferred from a series of observations, however much the data comes to support it. Moreover, the idea of a process is ambiguous. Smith's "invisible hand" and Marx's "M-C-M'" may both invoke this

³⁰ "The form in which the nascent reality came to our consciousness was political economy. Its amazing regularities and stunning contradictions had to be fitted into the scheme of philosophy and theology in order to be assimilated to human meanings." Polanyi, Karl, *The Great Transformation: The Political and Economic Origins of Our Time*, Beacon, 2001, 88.

³¹ Schumpeter, Joseph, *History of Economic Analysis*, Oxford, 1994, 231.

³² Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 74.

image of process, but the imagination can be doing wildly different sorts of work in each case. In turn, the meaning of economic ideas as they emerge in political discourse often depends on the imaginary aspects they acquire.

4. Looking Ahead

In the following pages, I examine four possible responses to the double focus of political economy. I will argue that each thinker proposes a set of economic ideas that are, in part, a response to the apparent split between the problems of the human predicament and the demands imposed by self-regulating processes. I also attempt to show why most of these proposed resolutions are unsatisfactory and often lead to destructive calls for utopian political responses.

I certainly do not claim that the authors I examine are the only thinkers of importance, merely that they have proven instructive for my own understanding. Perhaps the most notable absence is a detailed examination of Karl Marx. There are a few reasons for this. To some degree, I felt that the ideas I would have addressed in a chapter on Marx, such as his conception of history or ideas about capitalism and inequality, were already prefigured in the two chapters on Rousseau and Smith. Moreover, Marx remains a divisive figure, even (or especially) among Marxists, and getting involved in Marxist exegetical debates would distract from the focus of the dissertation. Consequently, although Marx will make several appearances, he remains a minor voice in this study.

In Chapter 1, I analyze the split between human nature and history as it appears in Jean-Jacques Rousseau's *Discourse on the Origin of Inequality*. I argue that Rousseau sees inequality as constitutive of human identity after humanity's exit into history from Edenic nature. In consequence, he tends to see modern societies as irredeemably corrupt. Rousseau's

pessimistic historical vision, which threatens to culminate in despair, represents one extreme response to the disjuncture between process and predicament. Thus, Rousseau oscillates between a nihilistic withdrawal from politics and a longing for a miraculous reconstruction of society.

In Chapter 2, I look at the philosophy of Adam Smith. I claim that Smith's thought has roots in the political concerns of Thomas Hobbes, and that he advocates commercial society because it appears to restrain prideful self-interest without requiring a Hobbesian turn to authoritarian government. Smith presents readers with an optimistic vision of a society in which affluence and virtue are mutually reinforcing.³³ I find Smith's vision fascinating and attractive. In the end, however, I argue that Smith's optimistic account of commercial society depends on a flawed theory of intersubjectivity and a narrow view of the passions, and that institutional changes have made his version of economic optimism much less plausible than it was in the 18th century.

In Chapter 3, I examine the philosophy of F.A. Hayek and argue that it represents a radicalization of an older tradition of moderate liberalism. I claim that Hayek felt compelled to turn liberalism into a romantic, utopian philosophy in order to legitimate it during a period in which free-markets were becoming increasingly volatile and unpopular in Western democracies. Thus, despite his considerable achievements as an economist and social theorist, the political program of Hayekian neoliberalism contains aspects of authoritarianism that emerge in moments of crisis.

³³ Muller, Jerry Z., *Adam Smith in His Time and Ours*, Free Press, 1993, Ch. 7 “Commercial Humanism - Smith's Civilizing Project.”

Finally, in Chapter 4, I explore the work of Karl Polanyi. Within the context of the dissertation, Polanyi's approach to political economy is unique, because he refuses to seek a unified theory that promises to resolve the split between the ethical dilemmas of the human condition and the reality of social processes. Instead, Polanyi offers us a genealogy of political economy as a field of study that helps explain its continued temptation to reach for utopian solutions. He also presents ways for thinking about human life that engender more constructive forms of political engagement than those he witnessed in the violent 20th century.

This is an opportune moment to be writing about Polanyi, and not just because his work appears newly relevant after the crisis of neoliberalism. The Karl Polanyi Digital Archive at Concordia University, as well as a new collection of previously unpublished writings, *For a New West*, has recently made it easier to grasp the full range of Polanyi's thinking, especially where issues of human existence and religion are concerned.³⁴ I have learned much from these sources. Drawing on his reading of *Hamlet* and his heterodox Christian humanism, I argue that Polanyi's seminal economic work *The Great Transformation* is based on a tragic understanding of the human predicament. As he makes clear in the final passages of his great book, the best protection against the lure of destructive calls for utopia is the open acceptance of suffering, mortality, and finitude as essential elements of human life. Polanyi calls instead for a cautious activism that embraces the world in all its uncertainty, without seeking a full reconciliation of human agency and social process. I suggest that his tragic understanding of life may be the least destructive ethos available today.

In the end, we are left with four archetypes or “images” of thinking about political economy (Rousseau's indictment of modernity, Smith's humanistic liberalism, Hayek's

³⁴ Polanyi, Karl, *For a New West: Essays, 1919-1958*, Ed. Giorgio Resta, Polity, 2014.

utopian libertarianism, and Polanyi's tragic vision) each of which captures something vital about the present state of thinking about the relationships between politics, ethics, and economics.

As a motto for reading these difficult and often controversial texts, I find myself persuaded by a passage in the *Nicomachean Ethics*:

Now some of these views have been held by many men, and men of old, others by a few eminent persons; and it is not probable that either of these should be entirely mistaken, but rather that they should be right in at least some one respect, or even in most respects.³⁵

Like Aristotle, I try to begin from the assumption that ideas and opinions that have an enduring influence are likely to be right about something, or at least capture something important about human experience. This means that, although I have favorite authors and do not shy away from critique, I do not expect any of the writers I examine to give us "the right theory" or a fully realistic portrayal of the economic realm. Indeed, it is part of my argument that some degree of imagination and ambiguity are aspects of any politico-economic theory. To my mind, the interpretation of political ideas is akin to viewing Monet's series of paintings of the Rouen Cathedral: each picture captures something essential about the thing in question, and each elicits new ideas and dispositions from us, yet no single image represents *the* correct picture or captures all the essential features. While each of us might have a favorite picture, we need the full series in order to recognize all the different shades and tones. It is not likely that any picture is entirely mistaken.

³⁵ Aristotle, *The Nicomachean Ethics*, Trans. W. D. Ross, Oxford, 1998, 1098b28.

Chapter 1: Jean-Jacques Rousseau: History, Nature, and the Soul¹

“Discontented with your present state, for reasons that herald even greater discontents for your unhappy Posterity, you might perhaps wish to be able to go backward; And this sentiment must serve as the Praise of your earliest forbears, the criticism of your contemporaries, and the dread of those who will have the misfortune to live after you.”

- Rousseau²

“The soul soars, the heart catches fire in the contemplation of these divine models; by meditating on them at length we try to become like them, and can no longer suffer anything mediocre without disgust.”

- Julie d’Etange³

1. Why Rousseau?

If it seems at all strange to begin a discussion of economic thought with the enigmatic figure of Jean-Jacques Rousseau, to read him alongside “proper” economists like Adam Smith or Friedrich Hayek, it can only be because Rousseau has been so central to the way that we approach and experience economics, for such a long time, that he is sometimes taken for granted. Rousseau was one of the earliest and most astute critics of modern, market-oriented society, more than a century before “capitalism” became a term of art. His depiction of growing inequality produced by a dehumanizing historical process, along with the idea that society should be understood as a collective moral subject and the primary site of justice, continue to resonate today. Champion of “the people,” Rousseau was one of the first moderns to seriously ask the question: Does becoming wealthier make us happier? Better? More humane? In answering the negative, Rousseau shows us what is at stake in economic thought. After *The*

¹ Unless otherwise noted, all citations from Rousseau come from the two volume compilation of writings edited by Victor Gourevitch for Cambridge University Press. See Rousseau, Jean-Jacques, *The Discourses and other Early Political Writings*, Ed. Victor Gourevitch, Cambridge 1997; and Rousseau, Jean-Jacques, *The Social Contract and other Later Political Writings*, Ed. Victor Gourevitch, Cambridge 1997.

² Rousseau, *Discourse on the Origin of Inequality*, 133.

³ Rousseau, Jean-Jacques, *Julie, Or, The New Heloise: Letters of Two Lovers Who Live in a Small Town at the Foot of the Alps*, Trans. Philip Stewart and Jean Vaché, Dartmouth, 1997, 47.

Discourse on the Origin of Inequality, the question “What may I hope?” becomes tied to an understanding of the possibilities and limitations inherent in economic change.

In this chapter, I explore the insight and influence of Rousseau’s philosophy of political economy. My central claim is that his importance goes beyond any particular arguments about, say, the way that inequality corrupts virtue or divides society into hostile camps. Instead, I focus largely on his reading of history in the *Discourse on the Origin of Inequality* (also referred to as the *Second Discourse*), especially his portrayal of the tensions that exist between the state of nature and the processes of historical and cultural evolution. I argue that, unlike many other modern philosophers who adopt a similar dichotomy, Rousseau refuses to fully privilege one side of this nature/history distinction. For him, neither human nature, nor history, nor any conceivable combination of the two, can finally solve the complicated political problems that arise when the two realms interact. Humankind is pulled out of Edenic nature into the maelstrom of historical decay. A return to the prelapsarian bliss of nature is impossible, yet the human soul retains the imprint of its first beginnings in ways that make it ill suited to life in swiftly changing historical societies.

Rousseau’s recognition of the tensions that characterize modernity allows him to diagnose problems that we still confront today. He brings problems surrounding temporality, hope, anxiety, and the constitution of the self into view – and links each of these issues to a narrative of economic development. He also shows how deeply inequality has become embedded in the self. Ultimately, however, I argue that Rousseau creates the basis for a deeply pessimistic vision of society, a view that threatens to slide into resentment, despair, and nihilism.

2. Three Problems with Current Readings of Rousseau

It should be said at the outset that my reading of Rousseau cuts against the grain of several popular approaches to his political economy. Thankfully, the days of the Cold War are long gone and the anachronistic depiction of Rousseau as the forerunner of 20th century totalitarianism has largely fallen out of fashion.⁴ Nevertheless, our appreciation of his thought remains tied to present academic trends in ways that obscure rather than reveal.

First, as part of the running debate on the moral status of capitalism and markets, too many contemporary commentators on Rousseau have taken a piecemeal approach to understanding his critical stance on contemporary social life. They begin by breaking down his various, often paradoxical, claims into an itemized list of assertions, compare them to counter arguments in favor of modern society, and attempt to arbitrate between them. Dennis Rasmussen relies heavily on this approach in his otherwise insightful comparison of Rousseau and Adam Smith.⁵ The problem is that Rousseau is hardly the only philosopher to display hostility toward commerce or the division of labor (this may actually be the least unusual feature of his philosophy). Indeed, there may be some small grain of truth in Madame de Staël's quip that Rousseau "had nothing new, but set the world on fire."⁶ Yet we need to understand not the individual elements, but the strange alloy that Rousseau forges with his fire.

Second, other interpreters have read Rousseau almost exclusively as a social reformer, as if the sole concern of his vast body of work – which includes everything from opera to

⁴ For a classic treatment of Rousseau and totalitarianism, see Talmon, J. L., *The Origins of Totalitarian Democracy*, Norton, 1960.

⁵ Rasmussen, Dennis C., *The Promise of Commercial Society: Adam Smith's Response to Rousseau*, Pennsylvania State UP, 1998.

⁶ This frequently (mis)quoted remark was first made by Germaine de Staël. See Glendon, Marry Ann, "Rousseau & The Revolt Against Reason," *First Things: A Journal of Religion and Public Life* 96 (1999): 42-47.

autobiography to writings on botany— was to design a blueprint of the perfect constitution, one that existing societies could enact posthaste. His value as a thinker then stands or falls with the plausibility of his answers to immediate problems of governance. On this approach, *The Social Contract* is taken as the capstone of Rousseau’s body of work, and the reflections it provides on the requirements of a just society are understood to disclose Rousseau’s “solutions” to the problems outlined in his earlier works, especially the *Second Discourse*. Interpretations of this stripe tend to emerge from analytic philosophy. Amartya Sen nicely labels this project “transcendental institutionalism” (although I think he is too quick to attribute it to Rousseau).⁷ Transcendental institutionalism concentrates on establishing a rational ideal of justice, and then attempts to discover what sorts of real-world institutions would embody it.

If the very idea of a transcendental institutionalism sounds vaguely Rawlsian, it is because this style of thinking has gained prominence since Rawls’ own reworking of the social contract tradition in *A Theory of Justice*. Furthermore, in his *Lectures on the History of Political Philosophy*, Rawls portrays the quest for an institutional embodiment of ideal justice as Rousseau’s major concern.⁸ But Rawls appears not to recognize that Rousseau traces many problems, not to flawed political institutions, but to the nature of the soul or self under all conceivable social conditions.⁹ At the very least, we should remember that the exhaustive moral education Rousseau describes in *Emile*, which he believed to be his best book, is the essential supplement of the republican institutions of the *Social Contract*.¹⁰ More to the point, it is not at all clear whether Rousseau believed a free and just republic could actually be

⁷ Sen, Amartya, *The Idea of Justice*, Harvard, 2009, 5-7.

⁸ Rawls, John, *Lectures on the History of Political Philosophy*, Ed. Samuel Freeman, Harvard, 2008. See also Cohen, Joshua, *Rousseau: A Free Community of Equals*, Oxford, 2010.

⁹ Melzer, Arthur M, "Rousseau and the Problem of Bourgeois Society," *The American Political Science Review* 74.4 (1980): 118-133.

¹⁰ Bloom, Allan, "Emile," In *Giants and Dwarfs: Essays, 1960-1990*, Simon and Schuster, 1990, 178-207.

established today, given his diagnosis of the decrepit foundations of modern society. After all, he claimed that it would require gods, and not an especially rigorous political philosopher, to give men laws.¹¹ The *a priori* assumption that Rousseau simply *must* have left to posterity a workable solution to the problems he raises prevents us from appreciating the depth and radicalism of his ideas.

Finally, in libertarian circles, it has become increasingly common to encounter interpretations of Rousseau that rely heavily on a critique first popularized by F.A. Hayek. In brief, Hayek argues that modern philosophy is characterized primarily by two orientations toward epistemology. One view, which stems from Descartes, mistakenly believes that all true knowledge is both “clear and distinct” and capable of being explicitly articulated, preferably in mathematical form.¹² Consequently, he argues that Cartesians have a tendency to believe that all relevant knowledge can be collected and comprehended by a single human mind. The contrary and, for Hayek, the correct view, is that of Adam Smith and the other philosophers of the Scottish Enlightenment, who understood that much human knowledge is tacit and incapable of rising to the level of conscious reflection or full articulation. Knowledge instead remains dispersed in traditions, practical skills, and the like.¹³ Hayek situates Rousseau within the tradition of Cartesian rationalists who overlook the spontaneous and unpredictable elements of social order; the corollary to this epistemological stance, he argues, is a political disposition that fails to appreciate the value of individual liberty, choice, and experimentation.¹⁴ In brief, Hayek’s claim is that Rousseau’s naïvely rationalist epistemology accounts for his hostility

¹¹ Rousseau, *The Social Contract*, 69.

¹² Hayek, Friedrich, “Individualism: True and False,” in *Individualism and Economic Order*, Chicago, 1948, 9-10.

¹³ *Ibid.*, 14-16.

¹⁴ Hayek, Friedrich, *Law, Legislation and Liberty*, 3 Vols., Routledge, 2013, 11.

toward the individualism of bourgeois society. More recently, this critique has found a wider audience through popular books like Timothy Ferris' *The Science of Liberty* and Thomas Sowell's *A Conflict of Visions*.¹⁵

Although Hayek's epistemological critique of political thought is often instructive, it tends to mislead when applied to Rousseau. For one thing, this critique implicitly depends, usually without support, on reading Rousseau as a radical seeking to impose a rational blueprint of the just society. On the other hand, the Hayekian criticism oversimplifies Rousseau's position on the existence of complex processes. Rousseau read deeply in the skeptical empiricist psychology of his day, and he agreed with much of it.¹⁶ More to the point, Rousseau does in fact understand history, at least in its beginning stages, as a spontaneous process, driven forward by its own internal dynamics (indeed he is far more astute on this point than some of Hayek's choice figures such as, say, Locke). But Rousseau also believes that historical spontaneity interacts with other processes and realms of experience, including what he calls the soul, and that this interaction has led to the moral crisis of contemporary society.

In what follows, I resist each of these popular styles of interpretation and argue that Rousseau should be approached through an examination of the basic framework that structures his thought. His particular assertions about the economy, his hopes for a possible reformation of society, his epistemology, each of these is contingent on Rousseau's understanding of the contradictions between nature and history.

¹⁵ See Ferris, Timothy, *The Science of Liberty: Democracy, Reason, and the Laws of Nature*, Harper, 2010, 114; Sowell, Thomas, *A Conflict of Visions*, Basic Books, 1987, 46.

¹⁶ See, for example, the theological and epistemological reflections in "The Profession of Faith of the Savoyard Vicar." Rousseau, Jean-Jacques. *Emile*, Trans. Allan Bloom, Basic Books, 1979, 266-313.

3. States of Nature: the Original Human Predicament

Nearly anyone who has encountered Rousseau is likely to be familiar with the legendary opening remarks of *Emile* and *The Social Contract*: “Everything is good as it leaves the hands of the Author of things; everything degenerates in the hands of man;”¹⁷ “Man is born free, and everywhere he is in chains.”¹⁸ These two sentences, as captivating as anything in the annals of political philosophy, display the fundamental intuition that motivates Rousseau’s animus toward existing societies, namely, the idea that modern civilization is a sort of fall from a dimly remembered state of grace. Casual readers are also likely to be familiar with the description in his *Discourse on the Origin of Inequality* of the way that injustice and oppression emerge out of a primordial state of natural equality. Yet the impact of the *Second Discourse* extends far beyond such generalizations, and as a result the text calls for a close reading, especially because the more specific arguments I want to make about Rousseau will depend on having it fresh in mind.

Rousseau first achieved public notoriety as a thinker in 1750 when he responded to an essay contest sponsored by the Academy of Dijon. The topic at hand was “Whether the restoration of the sciences and arts has contributed to the purification of morals.” With the French Enlightenment in full swing, this must have seemed like a loaded question.¹⁹ Nevertheless, Rousseau argued the negative and won. In an essay titled *Discourse on the Sciences and the Arts*, Rousseau claims that “our souls have been corrupted in proportion as our Sciences and our Arts have advanced towards perfection.”²⁰ Progress in the arts and

¹⁷ Emile, Rousseau, Jean-Jacques, *Emile: Or, On Education*, Trans. Allan Bloom, Basic Books, 1979, 37.

¹⁸ Rousseau, Jean-Jacques, *The Social Contract*, 41.

¹⁹ Actually, Leo Damrosch observes that the Academy of Dijon had a pronounced conservative strain. Many of its founding members were openly hostile to the spread of secularism, and Rousseau’s critique of science appealed to them for just this reason. It seems noteworthy that the second place essay also argued for the negative position. See Damrosch, Leo, *Jean-Jacques Rousseau: Restless Genius*, Mariner Books, 212, 2005.

²⁰ Rousseau, *Discourse on the Sciences and Arts*, 9.

sciences, he insists, breeds pointless luxury, which in turn generates vice and the decline of civic virtue. Public life is characterized by aggressive self-interest and the elaborate systems of modern philosophy serve mainly to cast a thin veneer of legitimacy over the evils of social decay.

If it is possible to call *Discourse on the Sciences and the Arts* Rousseau's first recognition of the symptoms of a generalized social illness, then the *Discourse on the Origins of Inequality* represents his considered diagnosis. In 1753 Rousseau responded to a second essay contest sponsored by the same Academy of Dijon on the broad topic, "What is the Origin of Inequality Among Men, and is it Authorized by Natural Law?" The resulting *Discourse on the Origin of Inequality* gave Rousseau an opportunity to revisit the question of social corruption and respond to critics of the *First Discourse* who claimed that he exaggerated the effects of luxury and that his rhetorical condemnation of society failed to provide a plausible demonstration of how such moral degeneration actually occurs.²¹

Criticisms of the *First Discourse* helped push Rousseau into a more deliberate reflection on history and economics. In what he later describes as a "genealogy" of deterioration,²² Rousseau engages in a reconstructive history designed to illustrate the course of events that has led humankind to its present condition. To do this, he turns to the idea of an original "state of nature," as Thomas Hobbes and John Locke had done in the 17th century. Rousseau, then, appropriates a common philosophical device, but in his hands it becomes something new and different. (This is a move that Rousseau will often make, adopting an older vocabulary or style of thinking but quietly radicalizing it.)

²¹ Wokler, Robert, *Rousseau: A Very Short Introduction*, Oxford, 2001.

²² Rousseau, Jean-Jacques, *Letter to Beaumont, Letters Written from the Mountain, and Related Writings*, Trans. Christopher Kelly and Judith R. Bush, University of New England Press, 2012, 28.

In *Leviathan*, Hobbes had envisioned a state of nature in which isolated individuals struggle for survival in a war of all against all. In his famous phrase, life in the state of nature is “solitary, poore, nasty, brutish and short.”²³ The exigencies of this situation push individuals, in light of their fear of violent death, to contract with a powerful Sovereign capable of enforcing law and putting an end to incessant violence. The legitimacy of the state is thus premised upon the danger of a return to the state of nature: because collapse of order is an ever present possibility, obedience to the Sovereign is a continuing necessity.

On Hobbes’ account, the state of nature appears to point toward the emergence of a fully formed political society because, through the adoption of a rational social contract, humans are able to opt out of the state of nature, with all its violence and suffering.²⁴ Regardless of whether Hobbes thought the contractual transition from nature to society described a real historical event or simply intended it as a thought experiment that might disclose the basic problems of political order, the upshot of his argument is that society can be founded and/or supported by rational and consensual agreement. In his view, humans are primarily passionate, violent, and prideful creatures; nonetheless, rationality finds a foothold in the universal fear of violent death, so that, under a strong sovereign, self-interest manages to more or less contain the passions within a precarious social structure. Desire is at once consolidated and, to the extent possible, defanged. One can see here the outlines of the idea that self-interest restrains the passions, an idea that later develops into the explicitly utilitarian justification for a commercial economy.²⁵ Except for the continued existence of what he calls “vain-glory,” a disruptive longing after power, honor, and status, Hobbes suggests that humanity can be

²³ Hobbes, Thomas, *Leviathan*, Ed. Richard Tuck, Cambridge, 1991, 89.

²⁴ Garrard, Graeme, *Rousseau's Counter-Enlightenment*, SUNY, 2003, 19.

²⁵ Hirschman, Albert O, *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph*, Princeton, 1997.

successfully reconciled with a robust and mutually beneficial social order; that is, as long as the Sovereign secures the requisite obedience.

John Locke's later presentation of the state of nature is similar in its broad outlines, even if his political loyalties differ. According to Locke, natural man is primarily engaged in work on the earth, "mixing" his labor with the natural world in order to produce property.²⁶ Locke's state of nature is not one of constant warfare, but is nevertheless characterized by a high degree of insecurity stemming from the lack of an impartial judge capable of resolving disputes that inevitably arise between individuals.²⁷ Without a common judge, interaction threatens to tip back into an unbridled state of war. Individuals come to recognize this danger, and contract with each other to nominate what Locke calls a "fiduciary power," a sort of trustee government designed to protect each person's original rights to self-preservation and property.²⁸ Legitimacy depends on the ability of the government to guard these original rights, rather than, as in Hobbes, simply the power to eliminate personalized violence.

The conventional way of understanding the different state of nature theories expounded by Hobbes and Locke is to see them as engaged in a foundational argument over first principles. On this reading, Hobbes represents the archetypical statist, insisting on the individual's obligation to the state and the monopolization of legitimate violence. Locke is the proto-liberal, holding fast to the absolute status of individual rights as a bulwark against the state. However, Rousseau short-circuits this rather superficial reading and sends it in an unexpected direction. In effect, he argues that the dispute between Hobbes and Locke is closer to a family quarrel, because the two share a series of unarticulated assumptions that restrict in

²⁶ Locke, *Two Treatises of Government*, Cambridge, 1988.

²⁷ Dunn, John, *The Cunning of Unreason: Making Sense of Politics*, Basic Books, 2000, 22.

²⁸ Locke, *Two Treatises of Government*, Cambridge, 1988, 149.

advance the boundaries of political argument. By extension, Rousseau calls into question the notion that the parameters of politics are exclusively defined by a battle between the state and the individual. For him, the hard questions have simply been overlooked.²⁹

The earlier state of nature theorists make three moves that Rousseau will contest. First, both Hobbes and Locke suggest that individuals in the state of nature are rational, to the extent that they are capable of reflecting upon the conditions most likely to fulfill their interests and desires.³⁰ Moreover, the fundamental desires that animate rational pursuits appear to be unaffected by variables like geographic location, status, or historical circumstance. Thus, even in the most remote state of nature, humans engage in specialized spheres of action like abstract thought and the production of private property. For these reasons, Hobbes and Locke tend to assume that the foundational contours of human experience are basically the same regardless of time and place, at least insofar as experience is relevant to politics.

Second, for both Hobbes and Locke, this original kernel of rationality implies that civilized society (shorthand for literate, wealth accumulating collectives with institutionalized rules of conduct) should be the normal form of human existence because all normal individuals should be able to agree that it serves their primary interests better than the available alternatives. They focus relatively little on the question of how society acquires the basic features that it does, and therefore underplay problems of development.³¹ The crux of this stance is that there is less need to be troubled about time and history.

Finally, at its most basic level, for both Hobbes and Locke the project of describing the state of nature involves the search for a legitimating device and a kind of reassurance. In their

²⁹ Rousseau, *Discourse on the Origin of Inequality*, 158.

³⁰ Lemos, Ramon, *Hobbes and Locke*, Georgia, 1978, 17-18.

³¹ Rousseau, *Discourse on the Origin of Inequality*, 151.

hands, the idea of nature provides an overview of the conditions that make civil life justifiable, given that a meditation upon the state of nature illustrates how properly functioning societies meet vital needs that go unfulfilled in other scenarios. For each, an examination of the state of nature produces clear conditions of legitimacy for contemporary societies. As such, the state of nature also functions as a kind of existential reassurance, because it establishes a firm baseline as to what the past – the basic shape of the human predicament – looks like, and at the same time it explains why we can rationally affirm existing polities. After the violent 17th century, the possibility that anything as benign as rational interest could function as a source of social order was seized upon, in the words of Albert O. Hirschman, “as a veritable message of salvation.”³² Rousseau upends each of these three assumptions, and in the process the concept of nature becomes the centerpiece of his skeptical critique.

The Academy of Dijon had asked whether natural law provides justification for inequality, and Rousseau accordingly begins the *Discourse on Inequality* with a short review and critique of common ideas about the state of nature and natural law. His basic contention is twofold. First, he argues that most previous philosophers have tried to delineate natural law and natural right without seriously thinking about the natural world, without examining how nature functions or the various ways that it impinges on human beings. “One begins by looking for the rules about which it would be appropriate for men to agree among themselves for the sake of the common utility; and then gives the name natural Law to the collection of these rules.”³³ Not only is nature thereby cast in the image of man, but the authority of nature is invoked for purely contingent, utilitarian ends.

³² Hirschman, Albert O, *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph*, Princeton, 1997, 44.

³³ Rousseau, *Discourse on the Origin of Inequality*, 127.

The failure to think seriously about nature leads to Rousseau's second argument, to wit, that when philosophers like Hobbes or Locke describe humans in the state of nature as lucidly rational, or as concerned to protect private property, they project backwards in time the attributes of modern Europeans.³⁴ In other words, an image of the normal individual (rational, self-interested, and hard working) is read back into nature as part of the justification for universalizing that same image. As a result of this circular reasoning, questions about humanity and its relationship to the processes that drive historical change are stunted before inquiry begins.

Thus nature and natural man first appear to Rousseau in the shape of a problem. How can one begin to describe a pure state of nature from the contemporary vantage point, given the vast separation between the two? To appreciate nature, one must first recognize, according to Rousseau, that:

[L]ike the statue of Glaucus which time, sea, and storms had so disfigured that it less resembled a God than a ferocious Beast, the human soul altered in the lap of society by a thousand forever recurring causes, by the acquisition of a mass of knowledge and errors, by the changes that have taken place in the constitution of Bodies, and by the continual impact of the passions, has, so to speak, changed in appearance almost to the point of being unrecognizable.³⁵

The starting assumption must be that natural man was radically, almost impossibly, different from ourselves. History is a veil, nature an abyss. We are separated not just by countless millennia, but by completely different modes of experience, such that the human soul itself has been altered. Rousseau's thought here is both profoundly modern in its historical sensitivity and deeply suspicious of the contemporary social order. For Hobbes and Locke, society was

³⁴ "Locke's argument therefore collapses, and all that Philosopher's Dialectic has not protected him against the error Hobbes and others committed. They had to explain a fact of the state of Nature...and it did not occur to them to look back beyond Centuries of Society." Ibid., 216 n. xii.

³⁵ Ibid., 124.

an outgrowth of self-interest, a natural motivation of the human soul, and both philosophers, despite their considerable differences, tend to see society and the soul as basically consonant and mutually reinforcing. Rousseau objects to this easy coincidence between the self and the social order. We cannot assume, he argues, that society, with its overwhelming political and economic structures, its social roles and obligations, is a normal outgrowth of human nature. It is just as likely that soul and society are extremely ill suited for each other, that they must be sutured together artificially in a way that inflicts an irrevocable harm on humanity; indeed, this is precisely the argument that Rousseau proceeds to make.

To truly encounter natural man, Rousseau believes that we must sweep away in our mind's eye the accumulated debris of habit, tradition, and prejudice. His project calls on us to reimagine human nature and requires, he says, a single guiding principle: "for it to be natural, it must speak immediately with the voice of Nature."³⁶ Nature is the experience of the immediate. Nature is "majestic simplicity,"³⁷ a world in which "everything proceeds in... a uniform fashion."³⁸ The implication is that humanity has a deep-seated need for stability and continuity.

Rousseau does accept the assumption of Hobbes that natural man is a solitary being seeking self-preservation.³⁹ Nevertheless, in combination with his insistence on the immediacy and simplicity of nature, the isolated character of natural man takes on a new significance. When read together, immediacy, simplicity, and atomism imply that whatever the natural attributes of early man are, they cannot have developed as the product of human interaction

³⁶ Ibid., 127.

³⁷ Ibid., 124.

³⁸ Ibid., 136.

³⁹ Kow, Simon, "Rousseau's Mandevillian Conception of Desire and Modern Society," in *Rousseau and Desire*, Ed. Mark Blackell and John Duncan, Toronto, 2009, 62-81.

over time. This means that whatever is truly natural does not have a history.⁴⁰ Rousseau's vision of nature, at least in this sense, owes much to the classical philosophers. As Hannah Arendt memorably describes it, for the main current of ancient Greek philosophy the concept of nature "comprehend[s] all things that come into being without assistance from men or gods...through the recurrent cycle of life, nature assures the same kind of being forever to things that are born and die as to things that do not change."⁴¹

Individuals who exist within the cycle of repetition that is the state of nature spend their time alone, couple only briefly, and live "with no idea of the future"⁴² or of death. They lack the anxiety that drives Hobbesian man into society, as well as any semblance of language and its corollary, rational thought. The lack of historical development and institutionalized identities mean that inequality can never take root, because any differences between individuals that happen to exist are fleeting. Death comes soon and the cycle begins again.⁴³

Rousseau's answer to his initial question – Does natural law justify inequality? – is a resounding no, for the simple reason that when we examine the state of nature without prejudice, we find that inequality is conspicuous only by its absence. Rousseau reaches this conclusion in the early stages of the *Discourse on Inequality*. The rest of his substantial essay is devoted to tracing what inequality means, how it emerges, why it is central to who we have become, and why contemporary societies go to such lengths to justify it.

⁴⁰ Rousseau is not always consistent on this point. In other works, he sometimes hints at an understanding of nature that is more prone to volatility and change. See, for example, his reflections on the interplay between melody, geography, and the passions in his account of language. See Rousseau, Jean-Jacques, *Essay on the Origin of Languages*, In *The Discourses and Other Early Political Writings*, Cambridge, 1997, 247-299.

⁴¹ Arendt, Hannah, "The Concept of History," In *Between Past and Future*, Meridian Books, 1961, 42.

⁴² Rousseau, *Discourse on the Origin of Inequality*, 143.

⁴³ "The art perished with the inventor...generations multiplied uselessly." Ibid., 157.

4. Out of Nature: The Origins of Inequality

Although he takes great pains to show what natural man is not, Rousseau does not intend his reflections on nature as a pure *via negativa*, a void without positive content. However, the sheer ambiguity of distant history forces the philosopher to seek additional sources of knowledge, and, in a sense, his meditation on history serves only to reveal the essential inadequacies of historical knowledge itself.⁴⁴ Thus, “[s]etting aside all the facts,”⁴⁵ Rousseau turns inward and attempts again to understand human nature, this time by isolating the most basic experiences of his own soul. Prior to language or reason, Rousseau believes that he can detect two natural, immediate elements of human experience. First, like the other animals, man has an inarticulate desire for self-preservation.⁴⁶ Second, all creatures in nature show a deep and instinctive sense of compassion for the suffering of other beings.⁴⁷ Self-preservation and compassion: these are what speak to the soul immediately through the voice of nature.

Like nature itself, the soul of natural man is relatively simple. “To will and not to will, to desire and to fear, will be the first and almost the only operations of his soul until new circumstances cause new developments for it.”⁴⁸ Moreover, because nature generally supplies in abundance all that human need requires, there is a ready congruence between the steady rhythm of nature and the shape of the soul. Desire extends to nothing that cannot be readily obtained. Contra Hobbes, natural man is not malevolent or miserable, but easily satiated.

⁴⁴ “In the absence of history; it is up to Philosophy...” Ibid., 158.

⁴⁵ Ibid., 132.

⁴⁶ Ibid., 140.

⁴⁷ Ibid., 154.

⁴⁸ Ibid., 142.

For Rousseau, then, man's exit from the state of nature into civilization constitutes the really hard problem, because, on his account, the original abundance of nature does not provide the complex circumstances that could call forth new forms of social organization.⁴⁹ The corollary is that there is no strictly "rational" reason to leave the state of nature, especially for a creature that does not show any signs of discursive reason to begin with, and this in turn implies that a social contract cannot be responsible for the formation of societies. The first instances of social change were spontaneous and took place behind the back of humankind.⁵⁰

If one accepts Rousseau's conclusion on this point, a cascade of related arguments follow. Above all, the state of nature and the exit from it no longer provide clear moral guidance for existing societies. It is not that the idea of nature is less relevant for Rousseau than it had been for his predecessors, but rather that it no longer provides obvious principles that can legislate norms of social order. The more Rousseau accentuates the abyss that separates nature from existing societies, the more the guardrail that had kept political and economic thought within circumscribed limits vanishes. A new and indeterminate world is opened up, at once terrifying and exhilarating. In the preface to *Julie*, Rousseau's immensely popular novel, one of the interlocutors, conspicuously named "R.", embodies this sentiment, asking, "Who is daring enough to assign exact limits...and assert: Here is as far as Man can go, and no further?"⁵¹

Rousseau may have been the most eminent early modern philosopher to link the ontological question posed by the earlier contract theorists ("What is man?") to the historical question ("How has he come to be?"). Hobbes had asked what man is, and discovered that he

⁴⁹ Ibid., 157.

⁵⁰ Ibid., 170.

⁵¹ Rousseau, Jean-Jacques, *Julie, Or, The New Heloise: Letters of Two Lovers Who Live in a Small Town at the Foot of the Alps*, Trans. Philip Stewart and Jean Vaché, Dartmouth, 1997, 7.

is defined by rationality, susceptibility to violence, and self-interest. Rousseau adds that man is a different kind of being depending on the sequence in which these traits are acquired. With this recognition, Rousseau shifts the basic meaning of history because it can no longer be a mere chronology of facts or a transparent recognition of universal patterns: “The Mankind of one age is not the Mankind of another.”⁵² Thucydides, whose *History of the Peloponnesian War* Hobbes had translated, turned to history in order to discover rules and political maxims valid for all times and places.⁵³ In *Genesis*, which Locke had taken great pains to interpret in the *First Treatise on Government*, Adam appears on the earth with his capacities fully formed, the archetype of a universal man.⁵⁴ In Rousseau’s hands, however, history is a story of radical change and incompatibility in the most profound sense, a story whose beginning is as obscure as its end.

Yet, Rousseau cannot end at this point. He must also explain humanity’s exit from Edenic nature and trace the forces that shape its development. In addition to the desire for self-preservation and simple compassion, Rousseau finds that natural man possesses a third attribute that differentiates him from other animals, a special trait that makes him unique in nature and especially vulnerable to changes in the environment. Rousseau calls this trait “perfectibility.”⁵⁵ Perfectibility is best understood as the element of indeterminacy in humankind. It can be observed, he says, in the ability of natural man to imitate other animals or to react in novel ways to environmental changes.⁵⁶

⁵² Rousseau, *Discourse on the Origin of Inequality*, 69.

⁵³ Collingwood suggests that Thucydides’ universalism is a degeneration of the true historical spirit that Herodotus had initiated. “Thucydides is not the successor of Herodotus but the man in whom the historical thought of Herodotus was overlain and smothered beneath anti-historical motives.” Collingwood, R.G., *The Idea of History*, Oxford, 1956, 30.

⁵⁴ Lemos, Ramon M., *Rousseau's Political Philosophy*, Georgia, 1977, 31.

⁵⁵ Rousseau, *Discourse on the Origin of Inequality*, 159.

⁵⁶ Patrick Riley observes that Rousseau’s initial conception of freedom is pre-linguistic and sub-rational, and that this puts some distance between Rousseau and Kant, whose notions of freedom are sometimes conflated. See

On the social level, perfectibility is similar to a kind of latent potential for cultural evolution.⁵⁷ On the individual level, this space of indeterminacy is closely connected with Rousseau's conception of human freedom. "Nature commands every animal, and the Beast obeys. Man experiences the same impression, but he recognizes himself free to acquiesce or to resist; and it is mainly in the consciousness of this freedom that the spirituality of his soul exhibits itself."⁵⁸ Unlike other animals, humans have some degree of choice in resisting impulses. This ability to freely choose is what defines humanity, giving humans the ability to adopt or adapt their own moral standards.⁵⁹

Rousseau then complicates an already difficult picture by adding the confusing claim that the two levels of perfectibility do not always move in perfect harmony.⁶⁰ Somehow, the perfectibility latent within the individual can conflict with the perfectibility in the species, and vice-versa. This is because, although freedom allows for experimentation and the emergence of novelty, it also sets in motion cultural and historical trends that can become rigid over time, so that freedom itself is eventually undermined or distorted. Rousseau therefore calls our attention to the inescapable ambiguities of freedom, as well as tensions between freedom and order.

Thus we should not be misled by his terminology. Perfectibility is not teleological in any strong sense. It is almost pure potentiality, implying grave dangers and no development in any particular direction, and certainly it does not mean that humans tend to become more

Riley, Patrick, "Rousseau's General Will," In *The Cambridge Companion to Rousseau*, Ed. Patrick Riley, Cambridge, 2001.

⁵⁷ Rousseau, *Discourse on Inequality*, 141.

⁵⁸ Ibid., 141.

⁵⁹ "The impulsion of mere appetite is slavery..." Rousseau, *Social Contract*, 34. See also Berlin, Isaiah, *Freedom and Its Betrayal*, Ed. Henry Hardy, Princeton, 2002, 33-5.

⁶⁰ "[P]rogress has been in appearance so many steps toward the perfection of the individual, and in effect toward the decrepitude of the species." Rousseau, *Discourse on Inequality*, 167. See also

perfect over time. What perfectibility does mean, however, is that human responses to new situations can be unpredictable, and, more importantly, that humankind has the potential for the cumulative acquisition of new habits and abilities not heretofore present in nature.

For Rousseau, habits that are acquired in the course of history cannot strictly be called natural, because they are complex modes of behavior that supervene upon the original capacities of the soul.⁶¹ Yet neither are such modes of behavior “unnatural,” in the sense that they stem from some transcendent source or break with physical or moral laws; indeed, these emergent abilities are only possible given humanity’s natural yet indeterminate capacity for development.⁶² The acquired practices and modes of experience that emerge in this cultural gray zone do not receive the sanction of natural law, and that is exactly why inequality is not justified by natural law.

The most important consequence of perfectibility is that cumulative learning is possible over the course of generations, although the typically uniform conditions of nature generally prevent this process from getting off the ground. As an “almost unlimited faculty,”⁶³ perfectibility creates a sort of open space in Rousseau’s tightly-knit natural world. If there is one place where inequality can make inroads against the original condition of natural equality,

⁶¹ Ibid., 141.

⁶² It is worth comparing Rousseau and Aristotle on this point. Superficially, they appear to agree, since Aristotle also held that learned habits are not strictly natural. “None of the moral virtues arises in us by nature,” he says, “for nothing that exists by nature can form a habit contrary to its nature...Neither by nature, then, nor contrary to nature do the virtues arise in us; rather, we are adapted by nature to receive them, and are made perfect by habit.” See Aristotle, *The Nicomachean Ethics*, Trans. David Ross, Oxford, 1998, 28. However, Aristotle also held that man is by nature a rational and political animal, so the development of human capacities tends in this direction. For Rousseau, by contrast, man is neither rational nor social by nature, so that the development of human potential is less constrained and more apt to conflict with nature. As is often the case, Rousseau is more radical than he appears on the surface. For example, Rousseau observes in *Emile* that “All the animals have exactly the faculties necessary to preserve themselves. Man alone has superfluous faculties. Is it not strange that this superfluity should be the instrument of his unhappiness?” See Rousseau, *Emile*, Trans. Allan Bloom, Basic Books, 1979, 81. His sense that humans have superfluous capacities, extra abilities that are not conducive in any way to happiness, is totally absent in Aristotle.

⁶³ Ibid., 141.

it will involve perfectibility. Ironically, then, the most distinctive mark of humankind can become the tragic source of its degeneration.⁶⁴ This sad fact, that the human potential for growth and experimentation is what makes injustice unavoidable, becomes a major source of anxiety for Rousseau.

The descent from nature to inequality and tyranny proceeds along two distinct tracks that drive each other forward in a vicious cycle. First, Rousseau charts a material course that leads from the emergence of social relations and the family to private property and inequalities of wealth. Alongside the material history runs a parallel story that one might call a spiritual history. As George Armstrong Kelly notes, “It is scarcely too much to say that Rousseau attempted the first methodical liaison between the sense of world process and individual psychological tensions.”⁶⁵ In essence, Rousseau argues that the soul undergoes a series of changes as it moves out of nature and into society, *until it learns to actually desire and depend upon inequality and signs of rank*, so that the very desire for status perpetuates the unjust social structure that gave rise to corrupt desire in the first place. To put the matter somewhat differently, I am arguing that the historical and the ontological perspectives are again interconnected for Rousseau: inequality is a material condition of social stratification that intensifies over time, something that we can observe and measure with statistics, but he also shows that it has to be understood as something that we are, something that constitutes us.

An understanding of the constitutive effects of inequality has recently become more widespread in a way Rousseau could appreciate. For instance, medical research increasingly shows that the stress and anxiety of poverty leads the brain to produce large amounts of the stress hormone cortisol, resulting in inhibited neurological development, especially in

⁶⁴ Ibid., 141.

⁶⁵ Kelly, George Armstrong, *Idealism, Politics and History: Sources of Hegelian Thought*, Cambridge, 1969, 28.

children.⁶⁶ The old Spencerian view that the poor are inherently less intelligent has been thoroughly undermined, although it still circulates quietly on the fringes of pro-market thought.⁶⁷ Inequality literally changes the types of people we become, right down to the ways that our brains and bodies operate. However, Rousseau takes this argument considerably farther and shows that inequality is fundamental to the way that each of us comes to be an individual in the first place, acquiring a distinctive identity and a place within a complex society. The process of individuation is linked to the exit from the state of nature and is therefore linked to the structures of inequality that this transition produces.

How does this process get started? Rousseau speculates that some contingency must have acted upon natural man's dormant potential for perfectibility such that the need for sustained cooperation became more common.⁶⁸ Perhaps population increases pushed isolated individuals into more regular relations, straining scarce resources, demanding new modes of cooperation and competition. Or, he suggests, a similar effect might have been achieved by climactic or environmental shifts.⁶⁹ Rousseau is admirably attuned to what he calls "the astonishing power of very slight causes."⁷⁰ In the end, the precise cause is less important than the result: isolated individuals with irregular relations slowly form more stable ties; at the same time, they begin to invent new ways of coping with material change, such as special hunting techniques or new types of clothing for colder climates. Rudimentary specialization thus

⁶⁶ "Stresses of Poverty May Impair Learning Ability in Young Children," National Institutes of Health, Aug. 28, 2012, <http://www.nih.gov/news-events/news-releases/stresses-poverty-may-impair-learning-ability-young-children>, accessed 2/4/2016.

⁶⁷ See Herrnstein, Richard J., and Charles A. Murray, *The Bell Curve: Intelligence and Class Structure in American Life*, Free Press, 1994.

⁶⁸ Ibid., 161.

⁶⁹ Ibid., 162.

⁷⁰ Ibid., 159.

emerges. Previously intermittent sexual relationships slowly stabilize into a recognizable family structure.⁷¹

This last development is crucial. Not only does the family imply distinct roles – the first step toward distinct individual identities and economic stratification – but it also creates the type of steady, intense social interaction that serves as an incubation chamber for the development of language.⁷² In turn, language makes possible the use of conceptual thought and discursive reason. Each one of these heterogeneous changes builds upon and reinforces the others. Every shift in material conditions coincides with an irreversible alteration in the soul.

After proto-society begins to stabilize, Rousseau speculates that humans come to understand that they share distinctive qualities that mark them off from the animals on which they prey:

This is how his first look at himself aroused the first movement of pride in him; this is how, while as yet scarcely able to discriminate ranks, and considering himself in the first rank as a species, he was from afar preparing to claim first rank as an individual.⁷³

A false pride comes to be bound up with a privileged view of humanity's place in nature, and the human/animal distinction becomes the first moment of a new mode of spiritual inequality, since it is the first time that identity crystallizes through comparisons with another being. On Rousseau's account, which I find persuasive, the emergence of self-identity is already tied to orders of rank. Through its supposed superiority to the animal, humanity discovers itself. The change is a radical one. In the state of nature, the sense of self had been characterized by what

⁷¹ Ibid., 145.

⁷² Ibid., 165.

⁷³ Ibid., 62.

Rousseau calls *amour de soi*,⁷⁴ a feeling of pure self affirmation without regard to rank or recognition. But with the advent of social life and the emergence of the distinction between human and non-human, the first signs of a new mode of experience that Rousseau calls *amour-propre* become visible.⁷⁵

In contrast to the unthinking self-affirmation of *amour de soi*, *amour-propre* is premised on having one's worth recognized by others and is therefore founded upon cognition and concepts of relative value. In the most detailed recent examination of this concept, Frederick Neuhouser claims that *amore-propre* inaugurates a new, non-natural "protean human need to count as someone for others."⁷⁶ The result is that the soul acquires a perverse relationship to social interaction: it enters into relationships of dependence that it craves, but which put it at the mercy of other humans and impersonal social systems. Some commentators have rightly noticed the masochistic aspects of this situation, in which the self seems to desire its own submission.⁷⁷

Neuhouser goes further: he observes that Rousseau appears to suggest that individual identity proper – a narrative or autobiographical self with its own point of subjectivity – may only be possible after *amour-propre* becomes operative, because only *amour-propre*, with its desire for distinction, provides the drive and attention required to create a sharply differentiated individual identity.⁷⁸ In one sense, then, the individual in society is one aspect of a more fundamental inequality, and the processes that lead to inequality are the same ones that help to

⁷⁴ Ibid., 127, 154.

⁷⁵ Ibid., 171.

⁷⁶ Neuhouser, Frederick, *Rousseau's Theodicy of Self-love: Evil, Rationality, and the Drive for Recognition*, Oxford, 2008, 67.

⁷⁷ Falaky, Fayçal, *Social Contract, Masochist Contract: Aesthetics of Freedom and Submission in Rousseau*, SUNY, 2013.

⁷⁸ Neuhouser, Frederick, *Rousseau's Theodicy of Self-love: Evil, Rationality, and the Drive for Recognition*, Oxford, 2008, 36.

shape the self. Humans feel pride in their various forms of distinction, first from the animals and then from other humans. “Everyone began to look at everyone else and to wish to be looked at himself.”⁷⁹ Society is like a house of mirrors, with each person attempting to navigate an array of reflections and distortions, until the characteristics of the soul as it existed in the state of nature, with its comfortable *amour de soi* and its instinctive compassion, are nearly extinguished. Individuals learn to crave the material signs of distinctiveness and the accoutrements of wealth, but, as Rousseau allows us to see, simple material acquisitiveness is not really what drives inequality. Above all, people desire to see their superiority recognized and reaffirmed. Secretly, he claims, we all make the impossible demand that others care for us more than they care for themselves.⁸⁰

Language exacerbates this process of distinction-seeking. As Robert Wokler explains, language allows the original distinction between man and animal to become the cornerstone of a systematic hierarchy of values, a symbolic world that comes to define the human predicament.⁸¹ Language inscribes the world within a web of specific meanings and evaluations, including, for example, Human/Animal, Good/Evil, Rational/Irrational, Masculine/Feminine, Rich/Poor. Rousseau understood that language does not merely describe a sharply defined empirical world, but is instead what Ernest Gellner calls “multi-stranded,” that is, it simultaneously describes, creates values, and indicates the procedures for social cohesion.⁸² In doing so, language recreates the world itself. In Wokler’s words, civilized

⁷⁹ Rousseau, *Discourse on the Origin of Inequality*, 166.

⁸⁰ Neuhouser, Frederick, *Rousseau's Theodicy of Self-love: Evil, Rationality, and the Drive for Recognition*, Oxford, 2008, 60.

⁸¹ Wokler, Robert, "Perfectible Apes in Decadent Cultures: Rousseau's Anthropology Revisited," *Deadalus* 107.3 (1978): 107-34.

⁸² Gellner, Ernest, *Plough, Sword, and Book: The Structure of Human History*, Chicago, 1989, 39-49.

humanity in Rousseau's anthropology is no longer *Homo faber*, man the maker, but *Homo fabulator*, the human that tells fables, the being that dwells in an imaginary world.⁸³

Once this stage has been reached, with nascent material stratification and an identity founded upon the desire for inequality, the path that history is to chart is largely determined.⁸⁴ The latent division of labor inherent in the family structure eventually spreads to other activities, making them more efficient, but also proliferating new roles and inequalities. Metallurgy and agriculture are invented and allow for the production, for the first time in history, of a true surplus of wealth. After this surplus is generated, says Rousseau, "equality disappeared, property appeared, work became necessary."⁸⁵ Some become wealthy and direct or coerce the labor of social inferiors, while others become poor and feel themselves at the discretion of superiors, and began to dream of revenge.⁸⁶

It is worth noting that, despite his condemnation of the new social relations that come into play with the rise of private property, Rousseau does not think that the earliest forms of surplus mostly arise from exploitation. His account should not be conflated with the use of naked force to appropriate an initial economic surplus, what Marx calls "primitive accumulation."⁸⁷ Surprisingly, Rousseau freely admits to the advocates of commercial society that it was often the superior effort or inventiveness of especially talented individuals working

⁸³ Wokler, Robert, "Perfectible Apes in Decadent Cultures: Rousseau's Anthropology Revisited," *Deadalus* 107.3 (1978): 107-34.

⁸⁴ It is incorrect to call Rousseau's presentation of history teleological, despite its apparent determinism. First, chance plays an important role in the story he tells. On his account, events such as the initial surge of population or the consolidation of property are not foreordained, even if they set in motion a kind of institutional path dependence that becomes increasingly rigid over time. Second, the end of Rousseau's story is not self-evident. Rather, forking moments in time appear to offer different possibilities, so whether unjust social relations persist or are likely, albeit under rare historical conditions, to be transcended by the political order he outlines in *The Social Contract* is a tension that Rousseau never resolves.

⁸⁵ Rousseau, *Discourse on the Origin of Inequality*, 167.

⁸⁶ *Ibid.*, 164.

⁸⁷ Marx, Karl, *Capital Volume I*, Trans. Ben Fowkes, Penguin, 1990, 714.

in a spontaneous way that first allowed them to reap larger gains or invent an innovative technique.⁸⁸ In time, however, this surplus enables them to buy the labor of others. As Adam Smith will observe in the early pages of the *Wealth of Nations*: “Wealth, as Mr. Hobbes says, is power.”⁸⁹ Rousseau’s point is that these gains would have been temporary and fleeting without the stability provided by social institutions like language, defined family structures, and enforceable property rights.⁹⁰ Without institutions, economic surplus dissipates like vapor. As such, he believes that the claims of society always have a kind of priority over property rights, and this remains true even when production is entirely “just” and no exploitation is involved.

But Rousseau insists that even if the earliest surplus was generated by personal merit, the legacy of bequests means that over time wealth tends to concentrate into hereditary fortunes, separate from any connection with merit. During the final stages of social degradation, wealth becomes a substitute for virtue, purchasing the semblance of beauty, talent, and goodness. Ultimately, then, growing economic (inter)dependence creates the basis for a façade of deception because survival depends upon managing the perceptions of others.

“To be and to appear became two entirely different things,” Rousseau observes, “and from this distinction arose ostentatious display, deceitful and cunning.”⁹¹ Intrinsic to the imaginary world in which humanity now dwells, the separation of being from seeming has far-ranging consequences.⁹² Above all, it implies that the classical conception of virtue as the sort

⁸⁸ Rousseau, *Discourse on the Origin of Inequality*, 164.

⁸⁹ Smith, Adam, *The Wealth of Nations*, Vol. 1., Liberty Fund, 1976, 48.

⁹⁰ “Before its representative signs were invented, wealth could scarcely consist in anything but land or livestock.” Ibid., 171

⁹¹ Ibid., 170.

⁹² The opposition between being and seeming is the centerpiece of Starobinski’s interpretation of Rousseau. See Starobinski, Jean, *Jean-Jacques Rousseau, Transparency and Obstruction*, Chicago, 1988.

of character we desire “for its own sake”⁹³ has become an unworkable project, not only because true virtue and its semblance have become largely indistinguishable, but because individuals are compelled by necessity to prefer the semblance. This lusting after appearance produces a fractured sense of self as life becomes a series of occasional attempts to mimic virtue for instrumental purposes. Eventually, the habit of deception undermines the consistency of character itself, and the very uncertainty of this situation exacerbates the desire of *amour-propre* for recognition, leading to renewed deceptions and thwarted projects, and so on. Such is life under regimes of inequality.

Rousseau notes that four main types of distinct inequalities exist: wealth, nobility or rank, power over others, and personal merit or talent.⁹⁴ Individuals compete for relative superiority in every one of these categories, and each major axis of inequality becomes the potential focal point for a latent sense of grievance or resentment. Over time, as new roles and categorical identities emerge, forms of disaffection become increasingly complex and volatile, and society resembles a perpetual balancing act, struggling to contain failed demands for status.

The sociologist Richard Sennett describes his surprise at the intensity of the resentment he discovered during field-interviews in American businesses in late 20th century Boston:

At the time I first interviewed the Boston bakers, while the bakery had an Italian name and made Italian breads, most of the bakers were Greek...For these Greek-Americans, “black” was a synonym for “poor,” and “poor,” via the alchemy which translated objective social standing into personal character, a cognate for “degraded.” It enraged the people I interviewed at the time that the elite – that is, doctors, lawyers, professors, and other privileged whites – felt more for these supposedly lazy, dependent blacks than for the struggles of hardworking, independent-minded Americans in the middle. Racial hatred thus betrayed a class consciousness of sorts.⁹⁵

⁹³ Aristotle, *The Nicomachean Ethics*, Trans. W. D. Ross, Oxford, 1998, 1.

⁹⁴ Ibid., 183.

⁹⁵ Sennett, Richard, *The Corrosion of Character: The Personal Consequences of Work in the New Capitalism*, Norton, 1998, 65.

Such a dismal situation would not have surprised Rousseau, who argued that inequality makes “all men competitors, rivals, or rather enemies” by undermining and reconfiguring the shared bonds that hold communities together and focusing anger on the vulnerable.⁹⁶ The dynamic described in the preceding passage is inherently unstable because it easily acquires an unbridled, zero-sum quality.⁹⁷ This situation spawns a resentment that “corrupts at once both the rich and poor, the rich by possession and the poor by covetousness.”⁹⁸ As the philosopher G.A. Cohen has observed, inequality can undermine the mutual understanding on which democratic societies depend as divergent lifestyles become increasingly narrow and class-bound.⁹⁹ A pervasive hostility is often the result. Rousseau understood this situation well. Thus, in the end, he believes that a condition resembling Hobbes’ dark vision of the state of nature comes to pass in the heart of the modern world, not from human nature, but from the debris of cultural evolution and economic stratification.

In the *Discourse on Inequality*, Rousseau captures something about the pathos and anxiety of modern life that has often resonated intuitively with a large audience, and it is easy to understand why. It still seems as if the unjust prosper at the expense of the public good, that virtue goes unrecognized while vice and corruption parade on the stage as entertainment.¹⁰⁰ The contemporary rich possess a material abundance that would have been unimaginable when Rousseau wrote, while the poor, even in the developed world, often continue to have barely enough to survive.¹⁰¹ Worse still, it is unclear whether Rousseau believes any political remedy

⁹⁶ Ibid., 184.

⁹⁷ Ibid., 171.

⁹⁸ Rousseau, Jean-Jacques, *The Social Contract*, Trans. G.D.H. Cole, Dover, 2003, 45.

⁹⁹ Cohen, G. A., *Why Not Socialism?*, Princeton, 2009, 36.

¹⁰⁰ Rousseau, Jean-Jacques, *Politics and the Arts: Letter to M. D'Alembert on the Theatre*, Trans. Allan Bloom, Free Press, 1960, 34.

¹⁰¹ Edin, Kathryn, and H. Luke, Shaefer, *\$2.00 a Day: Living on Almost Nothing in America*, Houghton Mifflin Harcourt, 2015.

can be found for this impasse. True, he never seems willing to close the door on the possibility of a collective redemption – the “perfectibility” of humankind is wonderfully open ended. But his political works, especially *The Social Contract*, have always divided readers into two camps, those who see it as a rational blueprint for a just reconstruction of society, a “realistic utopia” in Rawls’ words, and those who read its rigid strictures and lofty aspirations as just one more illustration of how impossible it truly is to achieve Rousseau’s brand of justice. In the end, then, Rousseau leaves readers with a gnawing sense of unease. We are certain that society as it exists is very, very bad, but unsure whether it can be made better.

5. Between Nature and History: Rousseau’s Anxiety

The *Second Discourse* is a pivotal document of Rousseau’s thought because it reconceives the essential dilemma of modernity as the inescapable tension between nature and history, between human agency and social systems. This conflict has often been misunderstood as a question about the value of reason, when it is better understood as a question about the status of humanity in a changing world. From Voltaire onward, readers have claimed, surely incorrectly, that Rousseau is little more than an irrational reactionary.¹⁰² On the other hand, Kant and his disciples, up to and including Rawls, have credited Rousseau with showing that deliberate, rational moral norms must be based on a foundation of human equality and freedom.¹⁰³

Both of these interpretations miss the point. Rousseau’s evaluation of reason is more nuanced than they recognized. As Allan Bloom observes, “Their [i.e. the French *philosophes*] rationalism presupposed that the maxims of morality could be made clear to all men on the

¹⁰² Wolfe, Alan, *The Future of Liberalism*, Knopf, 2009, 30-35.

¹⁰³ Rawls, John, *Lectures on the History of Political Philosophy*, Harvard, 2007, “Rousseau Lecture I: The Possibilities of a Well-Regulated Society.”

basis of unaided reason. Rousseau appears to deny this.”¹⁰⁴ Voltaire mistakes Rousseau’s suspicion about the power of reason in politics for a crude irrationalism. Kant, on the other hand, seems to forget the suspicion.

In the end, the best way to understand Rousseau is to remain focused on the break between nature and history that structures his thought. And once we do this, we notice something strange: unlike many early modern philosophers, Rousseau is uncomfortable with both sides of this distinction. He cannot embrace nature, or call simply for a regime based on natural rights, because he believes that original nature has been overlaid by convention. This means that society will have to legislate its own morality, giving law to itself, especially regarding institutions like property that do not exist in the natural state.¹⁰⁵ There is an emancipated view of human agency here, and even Rousseau occasionally finds this new situation exhilarating. At the same time, because he lacks both the revolutionary’s faith in the future and the conservative’s confidence in traditional institutions, he is deeply pessimistic about the course of history. Humankind is torn, unable to be more fully at home in the world.

This situation evokes an intense anxiety in Rousseau. In his most radical moments, he appears to call for a single solution to diverse problems that plague modern polities – from resentment and the internal fissures of the soul to inequality and exploitation – via the construction of a political order based on emancipated human agency, resisting emergent historical trends, creating a space of stability in which the human personality can be at home in the world.¹⁰⁶ By thus embracing the rhetoric of ruptures and breaks in history and the dream

¹⁰⁴ Bloom, Allan, “Introduction,” In *Politics and the Arts*, Cornell, 1960, xix.

¹⁰⁵ “But the social order is a sacred right, which provides the basis for all the others. Yet this right does not come from nature; it is therefore founded on conventions.” Rousseau, *The Social Contract*, 41.

¹⁰⁶ “The more...natural forces are overcome and destroyed, the more solid and lasting are the acquired ones, and the more solid also is the institution...legislation may be said to be at the highest pitch of perfection it can reach.” Rousseau, *The Social Contract*, 69.

of radical political renewal, Rousseau prefigures one of the major – and, I would argue, highly problematic – aspirations of modern political thought. These ideas take fuller shape throughout the 19th and 20th centuries in the writings of Kierkegaard, Marx, Nietzsche, and Heidegger. There are also some manifestations of this trend that have yet to be fully appreciated. In Chapter 3, I will argue that Friedrich Hayek alters the course of 20th century liberalism by incorporating just this imagery of rupture and renewal into a different paradigm.

More often, however, Rousseau openly despairs of the possibility of a lasting solution.¹⁰⁷ This reading of our current predicament, vacillating between radical hope and utter despair, in which the prospects of the individual are entirely dependent on a flawed social order, is perhaps his most profound legacy. Much later political thought, including a good deal of work in the social sciences and political economy, which sometimes likes to portray themselves as a purely descriptive social science, can be read as an attempt to navigate that modern Scylla and Charybdis of hope and despair that Rousseau explored in detail.

In fact, I argue that this sort of anxiety is intimately related to historical thought as such, to the extent that the two motivate each other in a kind of dialectic or spiral, with anxiety prompting a search to ground knowledge in historical foundations, and the ambiguity of history resulting in heightened anxiety. Astute observers of anxiety like Kierkegaard have long been aware of this dynamic. Writing in the middle of the 19th century, in a running critique of Hegel published just a few years before the revolutions of 1848 would inspire Marx and Engels to write *The Communist Manifesto*, Kierkegaard traced anxiety to the experience of apparently groundless freedom:

Anxiety may be compared with dizziness. He whose eye happens to look down into the yawning abyss becomes dizzy. But what is the reason for this? It is just

¹⁰⁷ This despair permeates his last works. See Rousseau, Jean-Jacques, *Reveries of the Solitary Walker*, Trans. Russell Goulbourne, Oxford, 2011.

as much in his own eye as in the abyss, for suppose he had not looked down. Hence anxiety is the dizziness of freedom...In anxiety there is a selfish infinity of possibility, which does not tempt like a choice but ensnaringly disquiets...¹⁰⁸

Like Kierkegaard's eye glancing over the edge, the turn toward a theory of history can readily evoke the very anxiety it discovers. This is because the concept of a history – especially the idea of a single, cumulative, *longue durée* history unfolding in the *Discourse on Inequality* – has a paradoxical effect: it tends to enable new hopes for increased understanding and mastery of social processes, thereby intensifying a particularly demanding image of human agency, even as it continually discloses limits, threats, and inevitable constraints on the human action pursued. If men make their own history, not as they please, but under circumstances given and transmitted from the past, then the recognition that agency – and with it responsibility for the future – is at once inescapable and strangely limited can be deeply disquieting. "Anxiety," Kierkegaard elaborates, "is neither a category of necessity nor a category of freedom; it is entangled freedom, where freedom is not free in itself but entangled..."¹⁰⁹ Perhaps freedom only assumes meaning against a background of its own potential limitations and ensnarements. The entangled nature of human freedom, caught up in ambiguous circumstances, vulnerable to contingencies, its limits and powers uncertain, is a persistent problem that Rousseau's thought poses and fails to overcome.

As such, the mere fact that Rousseau founds his political economy on an historical narrative is important, because this move ties political economy to the whole array of subsidiary emotions and desires that historical thought makes possible. Moreover, as I hope to show in later chapters, because political economists from Adam Smith to Marx and Hayek

¹⁰⁸ Kierkegaard, Søren, *The Concept of Anxiety*, Trans. Reidar Thomte, Princeton, 1980, 60.

¹⁰⁹ Quoted in Marino, Gordon D, "Anxiety in *The Concept of Anxiety*," *The Cambridge Companion to Kierkegaard*, Ed. Alastair Hannay and Gordon D. Marino, Cambridge, 1998. 308-28.

engage in similar sorts of historical speculation, they tend to reencounter the same anxieties surrounding the status of human agency that Rousseau first explores, even as they invent novel solutions or methods of coping.

That Rousseau turned toward history is not particularly unique or surprising in itself. In his classic survey of the Enlightenment, Ernst Cassirer reminds us that the 18th century sees the emergence of recognizably modern historical speculation in several disciplines.¹¹⁰ The nascent historical mode of thought can be seen in the popularity of stadial theories of social development, as we find in Adam Smith or Condorcet, and in the first glimmer of a theory of evolution in Buffon's *Natural History*, a work that Rousseau read with great care.¹¹¹ Across the board, in the natural and human sciences, Cassirer points to the "transition to a conception of nature which no longer seeks to derive becoming from being, but being from becoming."¹¹² Thinkers become increasingly concerned to trace the immanent principles that guide development or determine the structure of an area of study, to understand how the actions of basic elements create an ordered whole. Cassirer contrasts this move to immanence with the search for foundational principles, a hallmark of the "geometrical" style of much 17th century thought, on display in the likes of Descartes, Spinoza, Hobbes, etc.¹¹³

Although we should be wary of oversimplification, the contrast that Cassirer draws between two opposed styles of thought in the 17th and 18th centuries is useful because it helps highlight what is unusual about Rousseau's presentation of history. As is so often the case, he attempts to combine two senses of temporality, the static and the developmental, without

¹¹⁰ Cassirer, Ernst, *The Philosophy of the Enlightenment*, Princeton, 1971.

¹¹¹ Fellows, Otis, "Buffon and Rousseau: Aspects of a Relationship," *Modern Language Association* (1960): 184-96.

¹¹² Cassirer, Ernst, *The Philosophy of the Enlightenment*, Princeton, 1971, 80.

¹¹³ *Ibid.*, 3-15.

reconciling the differences. Indeed, none other than Adam Smith quickly pinpointed this tension in Rousseau's work when he reviewed the *Second Discourse* for the *Edinburgh Review*.¹¹⁴

With a considerable degree of approval, Smith claims that Rousseau's basic goal is to reconcile the naturalistic/historical principles of Mandeville with the sublime moral vision of Plato.¹¹⁵ Unfortunately, Smith does not devote much attention to whether such a tenuous reconciliation is really possible. In truth, an unproblematic synthesis hardly seems feasible, largely because Mandeville and Plato espouse two conflicting ideas about nature, and therefore about time and history as well. Plato's nature is the nature of everlasting perfection that Arendt so vividly describes,¹¹⁶ whereas Mandeville's notion of nature is closer to that of modern natural science: a structured and self-regulating pattern that develops from the struggle of creatures seeking self-preservation. Rousseau insists on the presence of each of these dynamics in human life – the timeless soul and the historical struggle – but does so without any attempt to produce a coherent understanding of nature that brings them together. Instead, Rousseau retains Plato's everlasting nature in his own image of the pure state of nature, and insists, in effect, that Mandeville's struggle for existence is not natural at all, but the result of a wrong turn in history.

What a true union of Mandeville and Plato would produce is a worldly process with immanent structuring principles (Mandeville) that leads toward an outcome of lasting moral significance (Plato). Only if history were aligned with moral growth would such a reconciliation be possible, and it is no coincidence that many of Rousseau's successors,

¹¹⁴ Smith, Adam, "A Letter to the Authors of the *Edinburgh Review*," In *Essays on Philosophical Subjects*, Ed. D.D. Raphael, Liberty Fund, 1982, 241-54.

¹¹⁵ Ibid., 251.

¹¹⁶ Arendt, Hannah, *Between Past and Future*, Meridian Books, 1961, 42.

including Kant, Hegel, and even Smith himself, did attempt to produce versions of just such a reconciliation. Popular forms of liberalism and Marxism recapitulate this desire for a morally progressive history. Yet Rousseau appears to deny this possibility. For him, Mandeville and Plato remain at odds.¹¹⁷

Smith appears to believe that Rousseau intended the *Second Discourse* primarily as a corrective to simplistic accounts of economic self-interest. He objects only that Rousseau's hyperbolic tone was "the spirit of a true republican carried a little too far."¹¹⁸ But Smith fails to understand that Rousseau's hyperbolic energy was not simply a coincidence of temperament; it also results from the very attempt to fuse such disparate elements into a stable compound.

For our purposes, the importance of Rousseau's project can be summarized as follows. First, at the most general level, he endeavors to think history and nature at the same time, never allowing one pole of the opposition to supersede the other. On the one hand, the cumulative movement of history means that humanity can never return to natural bliss and equality. Once activated, the natural human capacity for perfectibility opens the way for the historical forces of cultural evolution that carry humanity away from the simplicity of the state of nature. Now humanity must accept and cope with flux and decay. "All that human wisdom can do," he says, "is to forestall changes, to arrest from afar all that brings them on."¹¹⁹ This sense that the world is a place of dubious hospitality distinguishes Rousseau's ambivalent understanding of politics from the stance of the various 18th century radicals who built their hopes upon the utopian

¹¹⁷ Hundert, E.J., *The Enlightenment's Fable: Bernard Mandeville and the Discovery of Society*, Cambridge, 1994, 10-15.

¹¹⁸ Smith, Adam, "A Letter to the Authors of the *Edinburgh Review*," In *Essays on Philosophical Subjects*, Ed. D.D. Raphael, Liberty Fund, 1982, 251.

¹¹⁹ Rousseau, Jean-Jacques, *Politics and the Arts, Letter to M. D'Alembert on the Theatre*, Trans. Allan Bloom, Free Press, 1960, 74.

promise of a philosophy of nature. When Paine wrote that “We have it in our power to begin the world over again,” he meant that existing societies could recur directly to the original principles of nature, not just as a source of vitalizing power, but also as a kind of real knowledge to deploy against the taint of historical oppression.¹²⁰ This route is closed to Rousseau.

On the other hand, he does not believe that nature can be completely superseded or overcome. Through the soul, nature retains a residual force that constantly resists historical processes. As a consequence, he also cannot adopt the stance of the convinced historicist, embracing and working with the opportunities available in his culture or moment in time, in either its conservative (à la Burke or Oakeshott) or radical (Jacobin or Marxist) varieties. Some inscrutable remainder always prevents humans from assimilating to collective life and affirming movement into the future. Nature is, for example, still present in each individual’s instinctual love of independence and sense of compassion. History can disfigure nature, but never destroy it. In this sense, Cassirer is correct to say that Rousseau believes “Everyone carries the true archetype within himself.”¹²¹ The archetypal self is the barest outlines of the natural self, or what Rousseau frequently refers to as the soul. The permanent disjunction between nature (the soul) and history (society) means that collective life will always inflict wounds.

Original equality remains a standing condemnation of everything upon which society is founded, from property and self-love to the struggle for recognition that Rousseau calls *amour-propre*. It is as if, through a kind of anamnesis, the soul lives a dual life: the inarticulate

¹²⁰ Levin, Yuval, *The Great Debate: Edmund Burke, Thomas Paine, and the Birth of Right and Left*, Basic Books, 2014, 144, 198. For a treatment of Paine’s understanding of human nature and reason, see Fruchtman, Jack, *The Political Philosophy of Thomas Paine*, Johns Hopkins, 2009, 40-56.

¹²¹ Cassirer, Ernst, *The Question of Jean Jacques Rousseau*, Yale, 1989, 50.

memory of an original freedom strains under the injustices of the existing social order. This dual experience is also apparent in the dialectic of inequality, outlined in my reading of the *Second Discourse*. The individual simultaneously abhors and desires inequality, without quite knowing why. Consequently, the real paradox of *amour-propre* is not that it is zero-sum (in the sense that whoever wins recognition does so at the expense of others who lose status),¹²² but that its demands are inexhaustible, necessary for the development of human cognitive capacities, yet unavoidably painful for everyone involved. Inequality cuts against the natural grain of the soul, but the selfish desire for recognition means that we nevertheless crave marks of distinction because, once inside the social order, these markers provide the solid conditions of an identity and a self. At this point we reach the basic impasse of Rousseau's thought: the contradictions of the social order are founded in the contradictions of human desire itself.

Second, Rousseau creates a compelling image of the accidental and irrational character of the historical process. At unexpected and purely contingent moments, history can and does acquire its own immanent principles of development, distinct from those that govern nature or that stem from reason. Population increase and shifts in climate lead to private property, which in turn ripples out to produce an endless series of aftereffects. This sober recognition of historical contingency not only makes Rousseau unusual compared to most thinkers in the broad span that runs from the 16th through the 19th centuries. It also reinforces his suspicious attitude toward change and longing for ordered stability.¹²³

In her essay "The Concept of History: Ancient and Modern," Hannah Arendt claims that modern historical thinking as a genre was a reaction to the skepticism that plagued early

¹²² This "zero-sum" reading of the struggle for recognition is a common one. For one example, see Fukuyama, Francis, *The Origins of Political order: From Pre-human Times to the French Revolution*, Farrar, Straus and Giroux, 2012, 41.

¹²³ Connolly, William E., *Political Theory and Modernity*, Cornell, 1993, 57.

modern philosophies. Philosophers like Descartes and Hume put the individual and the particular in doubt, and one typical response, she argues, was to look for meaning in the whole and the universal, i.e. in the process of human history.¹²⁴ Some authors were remarkably self-conscious about the supposed psychological benefits of history. Condorcet, for instance, wrote that faith in the progressive view of history would help guard against the twin dangers of a corrosive skepticism and religious dogmatism.¹²⁵ Conversely, Rousseau was one of the earliest philosophers of history to insist on its aporetic and non-teleological character, which is to say that he refused to use historical knowledge as a hedge against skepticism. But because he envisions history as unpredictable and irrational at its core, Rousseau acquires yet another reason to fear the process of change. “[S]uch is the nothingness of things human” he writes, “that, except for the Being which exists self-created, there is nothing beautiful except that which does not exist.”¹²⁶ Creation automatically assumes a negative valence. Thus, change can be managed, but never fully affirmed.

Third, unlike Condorcet and most optimistic 18th century writers, Rousseau describes history as a tale of moral degeneration.¹²⁷ History moves us ever farther from the origin and anxiety is thereby reinforced, since the passing of time threatens to diminish our distance from original fullness.

Finally, Rousseau’s philosophy produces a heightened sense of urgency through the way that its rhetoric plays upon notions of fragility and power/durability. Human freedom is entangled more and more in circumstances that exceed control because, as Rousseau tells it, the most valuable aspects of human life are also the most fragile, whereas the corruption that

¹²⁴ Arendt, Hannah, *Between Past and Future*, Meridian Books, 1961, 56-8.

¹²⁵ Condorcet, Jean-Antoine-Nicolas De Caritat, *Political Writings*, Cambridge, 2012, 119.

¹²⁶ Quoted in Steiner, George, *Grammars of Creation*, Yale, 2001, 33.

¹²⁷ See Condorcet, Jean-Antoine-Nicolas De Caritat, *The Sketch*, In *Political Writings*, Cambridge, 2012.

stems from history and society appears virtually indomitable. The result of this combination is that Rousseau's responses to the dilemma he describes frequently take the form of what are in effect "exits from history" of varying degrees of plausibility (often buttressed by rigid forms of social discipline). Thus he recommends that Corsica remain an agricultural, autarkic economy, removed from European historical trends and united by a firm nationalism.¹²⁸ *Emile* describes a program of "negative education" administered at the hands of a manipulative and omnipresent tutor, designed largely to insulate Emile from the vicissitudes of society. Rousseau even attempts to remove himself from history, in a sense, when he leaves Paris and becomes, first an exile, then a solitary wanderer. Rousseau's task is so often negative – to resist historical trends, to find a space apart – because the forces in which he finds value (nature, morality, religion, human reason properly understood) lack the power of the forces he fears (history, commerce, society). As a result, he largely abandons faith in the world. This fascination, not to say obsession, with human fragility is both the lure of Rousseau's thought and the source of its danger.

6. Philosophical Radicalism and Nihilism

The reading of Rousseau that I have given accentuates the paradoxical elements of the *Second Discourse* but seeks to find their common source in the conflict that arises from his views of nature and history. This interpretation will, of course, have its critics, especially because the usual conception of Rousseau as a radical political reformer seems relegated to second place. What of the Rousseau of *The Social Contract*, "the great book of the French Revolution," which went through thirty-two French editions from 1789-99?¹²⁹ What of justice and the general will?

¹²⁸ Shklar, Judith, *Men and Citizens*, Cambridge, 1985, 27-8.

¹²⁹ Palmer, R.R., *The Age of Democratic Revolution, Vol I: The Challenge*, Princeton, 1974, 119.

It cannot be denied that Rousseau's ideas helped fan the flames of 1789, or that he sincerely detested the injustices of the *ancien régime*, but discontent alone does not a radical make. For every apparently revolutionary phrase that he pens, a mitigating condition or conservative rejoinder on the importance of stability can be found. "Nothing," he claims in the *Discourse on Political Economy*, "is more fatal to morals and to the republic than continual changes of stations and fortune among the citizens; changes that are both proof and the source of a thousand disorders, that overwhelm and confuse everything."¹³⁰ The fifth chapter of *The Government of Poland*, which urges Poles to respect tradition and to display caution in the face of change and against international enemies, is actually titled "The Radical Vice."¹³¹ So the image of Rousseau as an unadulterated political firebrand is too one-dimensional to stand much scrutiny.

The really interesting question is why Rousseau has been so *radicalizing* without himself being what we normally understand as a political radical. I believe that the answer again has to do with the subtext of Rousseau's thought. His philosophy of history draws together all the forces of decay and corruption into a single, tension-ridden system. This vision has a radicalizing effect because it implies that, if any meaningful reform is to take place, it would need to alter the total social system. "Inequality" and "the economy" in Rousseau's philosophy are not specific problems that can be addressed through nuanced public policy, but only the most visible components of a moral decay that affects each person since birth. On this view, meaningful reform would require society itself to become a "moral person," a collective subject of justice.¹³² Nevertheless, the perversities of *amour-propre* make it immensely

¹³⁰ Rousseau, *Discourse on Political Economy*, 32.

¹³¹ Rousseau, *Government of Poland*, 193.

¹³² Rousseau, *The Social Contract*, 61.

difficult to achieve a systemic transformation thoroughgoing enough to reintegrate individuals into a shared public life, hence Rousseau's tireless investigation of civic practices and disciplinary techniques designed to smooth the process.¹³³ Rousseau is not a true political radical, because he has serious doubts about whether such a social reincarnation is possible or even worth pursuing in contemporary polities, but I argue that he is a philosophical radical because his thinking necessarily moves toward extreme dilemmas and impossible responses.

The result is that many who are persuaded by Rousseau's manner of thinking about society – in the terms of rupture and renewal, of ingrained historical injustice that requires a kind of moral reformation – are led toward a profound radicalism, often with unexpected manifestations. Rousseau raises the stakes by his mere description of the problem, since political and economic problems are major existential dilemmas at root. Robespierre may be the most famous, but he is, I think, neither the most instructive nor the most interesting example of this Rousseauian influence.¹³⁴

For example, it seems clear to me that even so measured and liberal a philosopher as John Rawls slides uncharacteristically toward a strange extremism when he interprets the philosophy of Rousseau. The centrality of Rousseau for Rawls' political thought is no secret. In *A Theory of Justice*, Rawls claims that his political project continues the task of Kant, who “sought to give a philosophical foundation to Rousseau's idea of the general will.”¹³⁵ By briefly observing Rawls' engagement with Rousseau, we gain a better understanding of the way that

¹³³ Connolly, William E., *Political Theory and Modernity*, Cornell, 1993, Ch. 3 “Rousseau: Docility through Citizenship,” 41-67.

¹³⁴ For a thoughtful treatment of Robespierre and his reading of Rousseau, see Jordan, David P, *The Revolutionary Career of Maximilien Robespierre*, Chicago, 1989.

¹³⁵ Rawls, John, *A Theory of Justice*, Harvard, 1971, 264.

Rousseau's thought can heighten existential anxieties and open the way for destructive responses.

In his *Lectures on the History of Political Philosophy*, Rawls recognizes that, if *amour-propre* is as devastating as it appears in the *Second Discourse*, that is, if self-interest is inevitably perverse, then meaningful social justice is not feasible. Individuals will always seek to exploit others, free-ride, and dominate. Consequently, Rawls gives what he calls a "wide reading" of *amour-propre*.¹³⁶ On this reading, *amour-propre* does not lead to permanent divisions within the soul or between individuals; it somehow contains within itself the conditions for a more beneficent form of self-love. *Amour-propre* must provide the foundation for a humane and stable society, and, for Rawls, the task of the political philosopher is to understand the kind of institutions that moderate and constrain *amour-propre*.

Why does Rawls believe that this "wide" reading of Rousseau is correct and that a reconciliation of prideful self-interest with the larger society is possible? He gives two reasons. First, he says, "Kant endorses the wide view" in his writings on religion.¹³⁷ More importantly, Rawls goes on to say that "the solution of the human predicament Rousseau offers in the *Social Contract* only coheres with the *Second Discourse* when we adopt the wide view."¹³⁸ Alternatively, if we were to suspend judgment about the possibility of redeeming *amour-propre*, Rawls notes that we are left with a vision of the world that is "darkly pessimistic."¹³⁹ Here Rawls recognizes the tragic either/or that Rousseau presents to his readers. *Either* some total justification and redemption of society as a whole must exist, *or* we are left with no alternative to a dark pessimism.

¹³⁶ Rawls, John, *Lectures on the History of Political Philosophy*, Harvard, 2008, 199.

¹³⁷ Ibid., 199.

¹³⁸ Ibid., 200.

¹³⁹ Ibid., 200.

In other words, Rawls sees that Rousseau's philosophy is, at its heart, a demand for a kind of theodicy, that is, a justification of the world that explains or demonstrates the necessity of evil. On his reading, Rousseau shows how the perverse self-love of the *Second Discourse* can be molded by just institutions until it is transformed into enlightened self interest; he takes this to be the task of the *Social Contract*. Rawls sees the importance of such a resolution because he too feels the lure of theodicy and is tempted by the call for a total justification of society. He is also frightened by the prospect that the theodicy might fail, that a remainder of selfishness or evil might prove ineradicable. "If a reasonably just society that subordinates power to its aims is not possible and people are largely amoral," he muses at the beginning of *Political Liberalism*, "one might ask with Kant whether it is worth-while for human beings to live on the earth."¹⁴⁰ This statement, calling into question the value of human life as such, is shocking in its breadth. There is in it very little middle-ground between redemption and despair.

The potential failure of theodicy raises the specter of what Nietzsche calls nihilism, the rejection of the value of the world itself.¹⁴¹ If a revolutionary impulse can legitimately be found in Rousseau, it stems from the massive demands of the existential dilemma that he describes. Rawls walks right up to the edge of nihilism and backs off with the help of his "wide-reading" of *amour-propre*. Nevertheless, even if Rawls and Kant are able to craft their own theodicies that, generally speaking, satisfy them that justice is possible and help to pull them out of the pessimistic currents of nihilism, it is not clear to me that Rousseau is able to do the same. His theodicy remains tenuous, his political projects often unworkable according to his own account, his faith in change doubtful. His hope for social justice threatens to tip back into a

¹⁴⁰ Rawls, John, *Political Liberalism: Expanded Edition*, Columbia, 2005, lx.

¹⁴¹ Nietzsche, Friedrich, *The Will to Power*, Ed. Walter Arnold Kaufmann, Random House, 1967, 24.

dark reaction. This is precisely why Nietzsche, the great psychologist of nihilism, caustically refers to Rousseau as “that moral tarantula.”¹⁴² Nietzsche’s point is that, if he is read without caution and awareness, Rousseau can transmit a kind of intellectual venom in the form of hostility toward constructive engagement with the world because he demands more from the social world than it can dispense.¹⁴³

The leitmotif of failure and suffering runs through all Rousseau’s writing, punctuated by moments of relative optimism about a possible political reformation of society. A sense of stoic futility comes fully to the forefront only at the end of his philosophical career. “I have never really been suited to civil society,” he writes in *Reveries of a Solitary Walker*, “where this is nothing but irritation, obligation, and duty....my independent nature always made me incapable of the constraints required of anyone who wants to live with men.”¹⁴⁴ Thus, although Rousseau is remembered as the author of some of the most invigorating lines in political philosophy, he also – for reasons intimately related to his thinking – penned one of the saddest: “in order to avoid hating [men], I had to flee them.”¹⁴⁵

7. Political Economy after Rousseau

One of the several paradoxes that surround Rousseau is that he wrote comparatively little on explicitly economic issues outside of the *Discourse on the Origin of Inequality* and the related *Discourse on Political Economy*. Nowhere does he undertake lengthy analyses of economic processes. Yet he stands as a watershed in the history of political economy. The scale of his impact is partly due to the powerful rhetoric in which his critique is encased and

¹⁴² Nietzsche, Friedrich, *Daybreak: Thoughts on the Prejudices of Morality*, Cambridge, 1997, 3.

¹⁴³ See the discussion of the figure of the tarantula in *Zarathustra*: “Thus I talk to you in a parable, you who make people’s souls whirl round, you preachers of *equality*! Tarantulas you are to me, and hidden vengeance seekers.” Nietzsche, Friedrich, *Thus Spoke Zarathustra*, Oxford, 2005, 86.

¹⁴⁴ Rousseau, Jean-Jacques, *Reveries of the Solitary Walker*, Trans. Russell Goulbourne, Oxford, 2011, 67.

¹⁴⁵ *Ibid.*, 74.

partly to the subtlety of his psychological analysis of *amour-propre*. Rousseau's tropes and turns of phrase work their way into much writing that follows in his wake, creating a reservoir of concepts and notions that give form to latent economic discontent.

More importantly, the tensions and fissures that Rousseau uncovered raised the stakes of thinking about modern economic life to such a degree that certain difficult issues could no longer be avoided. At the broadest and most general level, the result of Rousseau's self-confessed (philosophical) radicalism – his desire to, as he put it, “dig to the root”¹⁴⁶ – was that the interrelationship between a vision of the human predicament and a theory of impersonal social change moved to the foreground as a core element of theory.

¹⁴⁶ Rousseau, *Discourse on the Origin of Inequality*, 157.

Chapter 2: Adam Smith and the Dream of a Commercial Humanism

"All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord."

- Adam Smith¹

"Wealth, as Mr. Hobbes says, is power."

- Adam Smith²

The purpose of this chapter is to trace the genesis of Adam Smith's defense of commercial society out of his engagement with Jean-Jacques Rousseau, and to probe some of the shortcomings of Smith's "system of natural liberty" as a device for understanding contemporary politics. Needless to say, because Smith's ideas still form the common currency of much pro-market thinking, any examination of his thought is of more than historical interest.

In my reading of Smith, I attempt to put him into conversation with several conservative thinkers, especially Edmund Burke. I do this for several reasons. First, I tend to believe that a critique is more persuasive and interesting when it is made by a writer's intellectual allies. Second, since the last half of the 20th century the American Right has become synonymous with a particularly simplistic ideology of libertarian capitalism, an unfortunate occurrence, since thoughtful conservatives have written insightfully on the tensions and costs of market society for several hundred years. To recall their arguments is, I hope, a modest political intervention that might display some of the dilemmas of Smith's thought in a fresh light.

¹ Smith, Adam, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 2, Liberty Fund, 1976, 687.

² Smith, Adam, *The Wealth of Nations*, Vol. 1., Liberty Fund, 1976, 48.

1. In the Wake of Rousseau

Rousseau's legacy is multi-faceted, with many different currents and sub-currents moving in directions that are not always easy to reconcile. In the previous chapter, I argued that Rousseau's importance to political economy has relatively little to do with his radical criticism of commerce in the name of virtue, which mostly reiterates classical critiques of exchange relations.³ Instead, I claimed that Rousseau inaugurates a shift in economic thinking because he embeds these traditional critiques in a new moral-cum-historical narrative that redescribes the human relationship to nature and society. To put the matter somewhat differently, Rousseau gives economics an historical perspective, so that it comes to inform ideas about everything from the evolution of humanity to the sources of political (dis)order. Of the many 18th century writers who were thinking along similar lines, Rousseau's vision was the most pessimistic and has proved over the long run to be perhaps the most provocative. We should pause to recall just how novel his ideas were, since they largely define the rhetorical space and the set of issues to which Rousseau's many interlocutors respond, not the least of whom is Adam Smith.

On the surface, Rousseau still appears to speak the language of the classical philosophers. Aristotle's critique of commerce in Book I of *The Politics* resembles the same set of arguments used two millennia later by Rousseau. For instance, they both insist that commerce leads to dependence and corrupts virtue. In their different idioms, they argue that greed drives us toward a form of excess — what the Greeks called *pleonexia* — that dissolves social ties. Both look to robust political institutions to constrain commerce.⁴

³ For an overview, see Muller, Jerry Z., *The Mind and the Market: Capitalism in Western Thought*, Anchor, 2003.

⁴ Balot, Ryan K., *Greed and Injustice in Classical Athens*, Princeton, 2001, Ch. 1 “Introduction.”

Despite these rhetorical similarities, there is a key difference: Aristotle's political economy is based on a teleological conception of human nature, which Rousseau attempts to discard. To say that Aristotle held to an idea of teleology is to say that he conceives of nature either as a movement toward perfection, or, for living entities, as a movement toward a point of fully developed capacities or potentialities.⁵ Humans are defined by their unique nature: gregarious animals seeking the good life, a quest which culminates in the study of philosophy.⁶ Commerce is unnatural to the extent that the stresses and anxieties of business contravene this quest, and thereby conflict with our nature as rational beings. Moreover, Aristotle argues that natural desires, e.g. hunger, have a limit or point of satiety, whereas exchange and "retail trade" are unnatural practices based on artifice, and therefore tend toward ungoverned excess.⁷ For Aristotle, economic activity should be confined within the hierarchically organized household or estate, where its pernicious temptations can be constrained and bent into service of the good life.

It is important to see that, for the ancients, *telos* was more than a vague goal or sense of historical direction. As Ernest Barker notes, "the sense of 'limit,' which meant so much to the Greek, was a living and active thing."⁸ The concept of nature functions as a sturdy metaphysical template; not only does it provide a standard by which order can be judged, but it is in some way actively alive in the world as an ordering principle.⁹ Conversely, the unnatural is associated with excess and the lack of order. The realm of the unnatural is dangerous and not to be trifled with, but the natural order retains all the power that goes with metaphysical

⁵ "For what each thing is when fully developed, we call its nature, whether we are speaking of a man, a horse, or a family. Besides, the final cause and end of a thing is the best..." Aristotle, *The Politics and the Constitution of Athens*, Ed. Stephen Everson, Cambridge, 1996, 1253a.

⁶ Ibid., 1255b.

⁷ Ibid., 1257a.

⁸ Barker, Ernest, *The Political Thought of Plato and Aristotle*, Dover, 1959.

⁹ Taylor, Charles, *Modern Social Imaginaries*, Duke, 2004, 10.

priority. For this reason, Aristotle, like nearly every other classical philosopher, cannot conceive of irreversible human or social decay or a true social revolution. Political regimes rise and fall, yet they recur because the basic regime types are eternal, and humanity retains its basic nature throughout. This is one reason why Aristotle confines his comments on political economy to a few short pages in the *Politics*: whatever temptations and dangers are bound up in commerce, corruption has its limits and the essence of human nature remains.

One way of reading Rousseau is to say that he stood on the shoulders of thinkers like Machiavelli and Hobbes and resisted or undermined this Aristotelian worldview.¹⁰ He thereby opened a space of radical possibility, one in which the classical critique of exchange founded on the danger of excess takes on a newfound significance. Two aspects of Rousseau's thought are especially important in this regard.

First, the *Second Discourse* does away with any politically significant distinction between the natural and the unnatural, because it provides a retelling of human history, reminiscent of the Christian story of the Fall, in which humanity is cast out of nature and thoroughly penetrated by artificial, social qualities.¹¹ In *The Social Contract*, Rousseau explains the meaning of this rupture in history when he writes that, "[T]he social order is a sacred right, which provides the basis for all the others. Yet this right does not come from nature; it is therefore founded on conventions."¹² Humanity is thrown back on its own agency.

¹⁰ Strauss, Leo, "Three Waves of Modernity," In *An Introduction to Political Philosophy: Ten Essays*, Ed. Hilail Gildin, Wayne State UP, 1989. I cite Strauss and his followers such as Joseph Cropsey several times in the course of this chapter. However, this should not be taken to imply that I endorse the more ambitious or controversial aspects of the Straussian project. I remain somewhat doubtful about the practice of esoteric reading and uncomfortable with the Straussian link to American neoconservative politics. Nevertheless, Strauss is a serious and sometimes instructive thinker on modernity and Rousseau's place in it.

¹¹ Rousseau, Jean-Jacques, *The Discourses and Other Early Political Writings*, Ed. Victor Gourevitch, Cambridge, 1997, 131-33.

¹² Rousseau, Jean-Jacques, *The Social Contract and Other Later Political Writings*, Ed. Victor Gourevitch, Cambridge, 1997, 41.

For him, the idea of the natural loses much of its power as a normative standard, and it ceases to function as an active bulwark against disorder and the corruptions of human artifice. This conception of society also changes our relationship to history, since the past becomes a murky narrative of human moral decay and the future is, at best, uncertain. After Rousseau, these new possibilities, hopes, and fears work their way into discussions of political economy in ways that would have been unintelligible to earlier writers. In his hands, political economy and the philosophy of history grew up together as twin stories of human development, told from slightly different angles.

Second, Rousseau introduces a modern motif not found in Aristotle: a great conflict between the species and the individual, or between society and the soul.¹³ He describes the evolution of autonomous social systems that dominate and thwart the freedom of individual moral agents. Contra Aristotle, with Rousseau it is the realm of the unnatural – the world of commerce and greed – that now seems to represent another kind of teleological order, but it is a counter-order that leads to decay rather than perfection. There is a sad irony in his account; it is as if human reason appears in history only when it is warped by forces beyond its power. Like Benjamin's angel of history, it can be said of Rousseau, "Where we see the appearance of a chain of events, *he* sees one single catastrophe, which unceasingly piles rubble on top of rubble..."¹⁴

In short, Rousseau introduces the theme of catastrophe as a category of economic thought, and it was just this innovation that made his writings shocking to many contemporaries. Among others, he provoked Adam Smith to fashion a new economic

¹³ Rousseau, Jean-Jacques, *The Discourses and Other Early Political Writings*, Ed. Victor Gourevitch, Cambridge, 1997, 159.

¹⁴ Benjamin, Walter, "Theses on the Philosophy of History," In *Illuminations*, Ed. Hannah Arendt, 2007, 257.

humanism that reconciles the individual and the broader social order.¹⁵ Smith's hope is that commerce can become, not just more humane, but a humanizing force that develops our capabilities and accentuates important virtues, sustaining a system of political order at the same time. For all these reasons, Smith's philosophy has been nicely described as a "commercial humanism."¹⁶

Such a thoroughgoing redemption of commercial society is a tall order, and I argue that, even on its own terms, Smith's response is not entirely persuasive. Significant problems appear in two of the core aspects of Smith's project, which we might call the subjective and the institutional. First, in *The Theory of Moral Sentiments*, Smith makes a series of assumptions about the stability of intersubjective order and the power of mutual recognition to form the self and restrain the passions. In large part, it is his confidence in intersubjectivity as a moderating influence that allows Smith to view free economic exchange with confidence. Unlike both Aristotle and Rousseau, Smith sees markets as rational and self-limiting because he believes that, under appropriate conditions, the mutual encounter of human subjects tends toward order, not excess. Second, I claim that Smith quite understandably failed to anticipate the ways that institutional changes in the scale and structure of economic markets can alter the virtuous cycle he traces in *The Wealth of Nations*.

In the rest of this chapter, I first examine the issues at stake in Smith's response to Rousseau. I go on to argue that, while Smith provides a partial vindication of commercial society, his thought elides some of the most important questions about contemporary politics.

¹⁵ Hont, Istvan, and Michael Ignatieff, "Needs and Justice in the Wealth of Nations," *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment*, Eds. Istvan Hont and Michael Ignatieff, Cambridge, 1983, 2, 10.

¹⁶ Muller, Jerry Z., *Adam Smith in His Time and Ours*, Free Press, 1993. The term itself comes from Pocock. See Pocock, J. G. A. *Virtue, Commerce, and History: Essays on Political Thought and History, Chiefly in the Eighteenth Century*, Cambridge, 1985.

2. The Legacy of Hobbes; Or, what is at stake in the Smith-Rousseau debate?

Current scholarship has shed new light on Smith's intimate reading of Rousseau, especially the *Second Discourse*, with the result that it has become difficult not to view works like *The Theory of Moral Sentiments* (1759) and the *Wealth of Nations* (1776) as, at least in part, direct responses to the itinerant Genevan.¹⁷ The view of Rousseau and Smith as engaged in a closely related philosophical endeavor revises the older view that they were irreconcilably opposed, the sentimental primitivist and the worldly liberal economist. It is now widely thought that, although he was probably already thinking along these lines, Smith adopts concepts like pity and *amour-propre* from the *Second Discourse*, which he critiqued favorably in the *Edinburgh Review*.¹⁸ Smith argued that Rousseau improved upon Mandeville's one-sided philosophy of self-love by supplementing utilitarian self-interest with an understanding of pity and sympathy toward others, but takes him to task for carrying the spirit of republican zeal to extremes.¹⁹

Indeed, the two thinkers agree in large measure about the evils that afflict modern society. Like Rousseau, Smith writes eloquently about the ways that specialization of labor degrades modern workers, and about the domination of the upper-class "masters," as he calls the emerging commercial class.²⁰ He writes about the ideology of the rich that castigates the

¹⁷ Rasmussen, Dennis C., *The Problems and Promise of Commercial Society: Adam Smith's Response to Rousseau*, Penn State, 2008. See also Prieto, Jimena Hurtado, "Bernard Mandeville's Heir: Adam Smith or Jean Jacques Rousseau on the Possibility of Economic Analysis," *The European Journal of the History of Economic Thought*, 11.1 (2004): 1-31; and Lomonaco, Jeffrey, "Adam Smith's 'Letter to the Authors of the Edinburgh Review,'" *Journal of the History of Ideas* 63.4 (2002): 659-76.

¹⁸ Smith, Adam, "A Letter to the Authors of the *Edinburgh Review*," In *Essays on Philosophical Subjects*, Ed. D.D. Raphael. Indianapolis: Liberty Fund, 1982.

¹⁹ "The principles and ideas of the profligate Mandeville seem in him to have all the purity and sublimity of the morals of Plato, and to be only the true spirit of a republican carried a little too far." Ibid., 251.

²⁰ Smith, Adam, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 1., Liberty Fund, 1976, 83-4.

poor as lazy and irredeemably ignorant, the better to avoid modest calls for reform.²¹ Readers turning to Adam Smith for simplistic defenses of *laissez-faire* as the best of all possible worlds are apt to be disappointed. Echoing one of the most famous moments in the *Second Discourse*, Smith does not hesitate to observe that “Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all.”²² From this angle, it is difficult to say who is the more strident critic of the budding commercial order, and understanding how Smith reconciles his frequent condemnations with a sincere embrace of early capitalism has been an enduring puzzle for his readers.

Yet the dialogue between Rousseau and Smith runs much deeper and involves more than a casual similarity of world-views. As the recent contextualist reading by István Hont shows, both philosophers begin their respective projects from the same basic dilemma, and indeed follow a strikingly similar intellectual trajectory until a very late point. Hont traces the links between them back to a shared acceptance of a vision of modern politics first described by Thomas Hobbes. Above all, he argues, both Rousseau and Smith accept a series of doctrines that are thoroughly Hobbesian, including: the notion that unaided reason lacks the power to make men good, and that humans lack an innate “altruism” or social instinct.²³ Most

²¹ Ibid., 99-101.

²² Smith, Adam, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 2., Liberty Fund, 1976, 715.

²³ Rousseau accepts that humans have an innate sense of pity or compassion, but he tends to describe it as secondary to the impulse toward self-preservation. For example, in the *Second Discourse*, he contrasts the Christian ethical maxim “Do unto others as you would have them do unto you” with the maxim of “natural goodness,” which he describes as “less perfect but more useful.” The natural maxim of justice commands: “Do your good with the least possible harm to others.” In other words, natural justice allows us to harm others if necessary for self-preservation. See Rousseau, Jean-Jacques, *Discourse on the Origin of Inequality*, in *The Discourses and Other Early Political Writings*, Ed. Victor Gourevitch, Cambridge, 1997, 154.

importantly, all three agree that pride, envy, and an insatiable desire for status dominate the human condition in society.²⁴

For Hobbes, politics just is the problem of pride writ large. The problems posed by pride even take precedence over those of disorder and violent death because vanity is at the root of much political turmoil, an urge that is both cause and effect of the social encounter. Our desire to see our superiority recognized pushes us into the company of others, and then continually disrupts any association. As Hobbes explains in the *Leviathan*, he takes the mythical name for his absolute state from the Book of Job specifically to emphasize its major task of subduing mortal pride:

Hitherto I have set forth the nature of Man, (whose Pride and other Passions have compelled him to submit himselfe to Government;) Together with the great power of his Governour, whom I compared to *Leviathan*, taking that comparison out of the last two verses of the one and fortieth of *Job*, where God having set forth the great power of the *Leviathan*, calleth him King of the Proud.²⁵

Above all, the political question is: how to reconcile a vain and unruly humanity with political order? Hobbes embraces the absolute state because he lacks confidence that anything less than undisputed authority can contain human pride. Moral education and habituation alone are unreliable, and self-interest always bears the taint of pride.²⁶ Political institutions must be expressly crafted for the purpose of muting demands for recognition. Rousseau's strictures against inequality and his advocacy of small, self-sufficient republics are designed to solve a similar problem.

²⁴ Hont, István, *Politics in Commercial Society: Jean-Jacques Rousseau and Adam Smith*, Ed. Bela Kapossy, Harvard, 2015. On Hobbes and Rousseau, see the collection of essays in Cranston, Maurice, and R. S. Peters, eds. *Hobbes and Rousseau: A Collection of Critical Essays*, Anchor, 1972. On Hobbes and Smith see Cropsey, Joseph, *Polity and Economy: With Further Thoughts on the Principles of Adam Smith*, St. Augustine's, 2001, x-xi.

²⁵ Hobbes, Thomas, *Leviathan*, Ed. Richard Tuck, Cambridge, 1991, 221.

²⁶ Cropsey, Joseph, *Polity and Economy*, St. Augustine's, 2001, 27.

It tends to be forgotten that Smith frequently raises this same question, even in the *Wealth of Nations*, a book that is often read today as a utilitarian textbook on the right use of reason. He observes that:

The pride of man makes him love to domineer, and nothing mortifies him so much as to be obliged to condescend to persuade his inferiors. Wherever the law allows it, and the nature of the work can afford it, therefore, he will generally prefer the service of slaves to that of freemen.²⁷

Like a marriage based on lust, the true Hobbesian paradox is that the same destructive human impulses that call political society into being simultaneously undermine a life lived in common. For Hont, the influence of Hobbes, with its call to constrain the violent and antinomian aspects of the human spirit, forms a thick thread between Smith and Rousseau.²⁸ Of course, for Hobbes, the only institution powerful enough for this task was a state Leviathan, that "mortal god" with ultimate authority to keep the peace and to arbitrate disputes over religion and the meaning of key political terms.²⁹ By contrast, for Smith and Rousseau, a call to reform the desire for recognition without lapsing into authoritarianism is a central task. It is to this problem that we must trace the origin of Smith's political economy.

If in the 18th century, there were three broad ways of explaining the development of social order, centered on power, human nature, or self-interest, respectively, then to different degrees, Smith and Rousseau reject all three. They reject as incompatible with human freedom the Hobbesian solution to the problem of order by way of absolute monarchy and an overweening state.³⁰ They abandon as fancifully unrealistic the notion that humans have a

²⁷ Smith, Adam, *The Wealth of Nations*, Vol. 1., Liberty Classics, 1976, 388.

²⁸ Hont, István, *Politics in Commercial Society: Jean-Jacques Rousseau and Adam Smith*, Ed. Bela Kapossy, Harvard, 2015, 12.

²⁹ Hobbes, Thomas, *Leviathan*, Ed. Richard Tuck, Cambridge, 1991, 120.

³⁰ Rousseau, Jean-Jacques, *The Social Contract and Other Later Political Writings*, Ed. Victor Gourevitch, Cambridge, 1997, 43.

natural social and moral instinct that binds society together, held by Francis Hutcheson and others who retained stronger links to Aristotelian thought. Finally, they decry the elevation of pure individual self-interest recommended by Mandeville and his imitators, because Mandeville's Panglossian romance shields from view the human costs of economic development.³¹ So, the problem of social order remains a fundamental question. As Albert Hirschman and Michel Foucault have both argued, the advent of political economy as a discourse in the 18th century was not simply the discovery of a new social science, it was also a search for new and better modes of governance, which is also to say that it was bound up in normative assumptions and reconfigurations of power.³²

For this reason, it is significant that the connection between Smith and Hobbes has been conspicuously downplayed by most of Smith's 20th century interpreters, a strange twist since many of Smith's immediate contemporaries considered him to be an unreconstructed Hobbit.³³ Contemporaries are not always the best interpreters, but ignoring Smith's relationship to Hobbes runs the risk of overlooking the very problems his system of political economy was intended to address. For example, F.A. Hayek, a major popularizer of Adam Smith in the 20th century, argues that there is virtually nothing in common between Smith and Hobbes. He claims that Smith's entire political philosophy is founded on a distinct epistemology that conceives of knowledge as decentralized (no single actor can achieve total knowledge) and emphasizes tacit knowledge (not all knowledge can be fully articulated).³⁴ For Hayek, this epistemological tradition, which he associates with the Scottish Enlightenment more generally,

³¹ Rousseau, Jean-Jacques, *The Discourses and Other Early Political Writings*, Ed. Victor Gourevitch, Cambridge, 1997, 98, 152; Smith, Adam, *The Theory of Moral Sentiments*, Liberty Fund, 1984, 308-9.

³² Foucault, Michel, *The Birth of Biopolitics*, Trans. Graham Burchell, Palgrave, 2008; Hirschman, Albert O., *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph*, Princeton.

³³ Hont, István, *Politics in Commercial Society: Jean-Jacques Rousseau and Adam Smith*, Ed. Bela Kapossy, Harvard, 2015, 91.

³⁴ Hayek, Friedrich, *Law, Legislation and Liberty*, 3 Vols., Routledge, 1973.

is utterly distinct from the deductive Cartesian rationalism he attributes to Hobbes. Furthermore, he believes that these different epistemologies engender utterly different types of politics. On Hayek's reading of intellectual history we have, on the one side, a Smithian respect for liberty and the spontaneous evolution of society, and, on the other, an authoritarian embrace of the power of abstract reason and scientific planning associated with Hobbes and Descartes.³⁵ Modern political philosophy then becomes a Manichean story of liberty and its nemesis, power. To reestablish the dialogue between Rousseau, Smith, and Hobbes is to raise again questions surrounding the human desire for recognition and its relationship to governance, and to ask what makes markets distinct as a form of political order.

Hayek's narrow point about the political significance of distinct epistemological traditions has a good deal of merit. Yet, if we look a bit closer, the general influence of Hobbes on Adam Smith should be plain for all to see. They share a sense about the basic shape of the human predicament on a host of nontrivial issues. For instance, when Smith speaks of "savages" in the early stages of society, he adopts the Hobbesian idiom and describes their absence of "sympathy and indulgence" and their "contempt of human life."³⁶ He also accepts the fundamentally Hobbesian notion that death is the worst evil that one man can inflict upon another, as well as the related idea that the fear of death, which Smith calls "the great poison to...happiness," is a constant state of mortal dread that underpins obedience to law.³⁷ Moreover, like Hobbes, Smith sometimes speaks as if the forces of envy and resentment are

³⁵ Hayek, Friedrich, "Individualism: True and False," In *Individualism and Economic Order*, Chicago, 1948, 9-10.

³⁶ Smith, Adam, *The Theory of Moral Sentiments*, Ed. D.D. Raphael and A.L. Macfie, Liberty Fund, 1984, 205, 288.

³⁷ "And from thence arises one of the most important principles in human nature, the dread of death, the great poison to the happiness, but the great restraint upon the injustice of mankind, which, while it afflicts and mortifies the individual, guards and protects the society." Ibid., 13.

so destructive that only state power is capable of mitigating social conflict. For example, in the *Wealth of Nations* Smith declares that:

The affluence of the rich excites the indignation of the poor, who are often both driven by want, and prompted by envy to invade his possessions. It is only under the shelter of the civil magistrate, that the owner of that valuable property, which is acquired by the labour of many years, or perhaps of many successive generations, can sleep a single night in security. He is at all times surrounded by unknown enemies, whom, though he never provoked, he can never appease, and from whose injustice he can be protected only by the powerful arm of the civil magistrate...³⁸

Society is permeated with resentments that have never been provoked and cannot be appeased. At least in this moment, Smith speaks as if brute power is all that prevents the rich from having their throats slit at night. This is a far cry from that popular 20th century incarnation of Smith, who supposedly shows that free-markets generate positive-sum gains for the whole society, and that the creation of affluence supersedes and renders moot all the old worries about political order. Instead, Smith's really difficult task is to explain how so fallible and jealous a creature as man can be suited to society, and, at the same time, to reconcile political order with the widespread individual liberty that he also advocates.

The broad questions that Adam Smith poses, and therefore many of the fundamental political issues at stake, tend toward the Hobbesian; but his answer to them is a new conception of political economy. Part science of order, part blueprint for social reform, part philosophy of history, the complicated system of political economy that Smith calls his "science of the legislator"³⁹ does much more than describe commercial society: it aims to show how economies can be structured in such a way that individuals are molded and constrained without the need for extensive intervention by an authoritarian state. It also tells why this diffuse

³⁸ Smith, Adam, *The Wealth of Nations*, Vol. 2., Liberty Classics, 1976, 710.

³⁹ Smith, Adam, *The Wealth of Nations*, Vol. 1., Liberty Classics, 1976, 468.

socialization is more desirable than overt political control. Power becomes less oppressive than it was for Hobbes and more pervasive.

3. The Smithian Synthesis: Order as Intersubjectivity

Perhaps the best way to approach Smith is to see his work as a complex and uneven union of two strains of thought. On the one hand, he has one foot in a rather loose tradition that runs from Hobbes to Mandeville to Hume.⁴⁰ The comparative sociology of Montesquieu's *Spirit of the Laws* is also a central influence.⁴¹ From this disparate set of writers, Smith solicits a set of concerns about political stability and decline, about the political role of self-interest, and about the utility of markets. Notice that the core concerns of this (predominately Anglophone) tradition are objective or "extroverted," in the sense that the dominant political questions revolve around impersonal forces and principles of order. Hence, the archetypal British fascination with common law, tradition, and markets.

On the other hand, Smith is also involved in an intense dialogue with Rousseau (and, by anticipation, perhaps, with Hegel, the young Marx, and Karl Polanyi) on a diverse set of issues, including poverty and inequality, alienation, the dangers of economic progress, and the development of the self in modernity. At its heart, Rousseau's critique is "introverted," centered on the nature and experience of the human self under alien conditions. The whole point of retracing in the *Second Discourse* the fall from nature into artificial society is not to provide an empirically accurate history, but to show how we inhabit a world that cuts against the grain of the self, quashing freedom and leaving alienation in its place. Rousseau, and the thinkers

⁴⁰ See Kennedy, Gavin, *Adam Smith: A Moral Philosopher and His Political Economy*, Palgrave-Macmillan, 2008, 39-41; Hont, Istvan, *Politics in Commercial Society: Jean-Jacques Rousseau and Adam Smith*, Harvard, 2015.

⁴¹ Forbes, Duncan, "Sceptical whiggism, commerce, and liberty," In *Essays on Adam Smith*, Ed. A.S. Skinner and T. Wilson, Oxford, 1975, 179-201.

who engage him in dialogue, are concerned with tendencies that run contrary to the mainstream of the modern tradition.

The most common misconception governing readings of Adam Smith is the idea that he simply wants to understand the operation of capitalism in its early stages and defend it against romantics like Rousseau. But we have already seen that his project is more ambitious. In attempting to reconceptualize commercial society as a humanizing moral order, while taking account of Rousseau's critique, Smith must argue that the impersonal powers of market economics are roughly consonant with the demands of the self. This means, *inter alia*, that markets must somehow redress the human lust for superiority, in the sense that commercial life must make use of this motivation and, at the same time, control it. A society based on wealth-seeking must avoid the creation of a creeping moral decay in those who succeed and the creation of an uncontrollable resentment in those whose hopes are not met. For Smith, the fissures between man and society that seemed so central to Rousseau cannot be finally irreconcilable.

It is well known that *oikonomia*, the Greek word from which we get our term economics, is a union of the words for house and for law.⁴² Far from an arcane point of etymology, a basic concern to show how the world can be made hospitable is central to Smith's political economy. However, this distinctly modern project of homemaking means that Smith must produce a synthesis of two very different modes of thought that separated in early modernity after the collapse of Aristotelianism and medieval Christianity in the face of Newtonian science and the Wars of Religion.⁴³ He must establish new links between opposed

⁴² Alvey, Jim, *A Short History of Ethics and Economics: The Greeks*, Edward Elgar, 2011.

⁴³ Smith was aware that he was writing against the background of an epochal transition in the history of ideas. In the *Lectures on Rhetoric and Belles Lettres*, for example, he compares the outmoded scientific principles of

attempts to understand the human predicament that can be variously described as introverted and extroverted, personal and impersonal, or moral and historical. Smith is among the first to try to conceive society consistently from the split-perspective of lived human experience and self-ordering systems. Indeed, this is exactly what made his work so seminal for German Idealists from Kant to Hegel and Marx.⁴⁴

At just this moment, the philosophy of recognition that Smith inherits from Hobbes and Rousseau becomes relevant, because it allows him to develop a theory of intersubjectivity in which the self (first person) develops to moral maturity through interaction with the other (second person). Smith will argue that this process of interaction has self-ordering dynamics, and that it can be expanded until the process eventually stabilizes into a predictable social and historical order (third person). In essence, for Adam Smith, a theory of intersubjectivity mediates between the self and the history, stitching them together in a virtuous order.

At this point, I suspect the reader may be asking, what does this have to do with Smith's political economy? But this might be the wrong question to ask. To say this is not to deny that economic markets are central to Smith's thought. But at the heart of his commercial humanism is an understanding of intersubjectivity as a source of social order. I argue that, for Smith, the market is a special case of a more comprehensive understanding of social exchange or interaction. By extension, the real problems with Smith's relatively optimistic account of commercial society are not strictly economic at all. They stem from oversights in his account of human (inter)subjectivity.

Aristotle with Newton's revolution, and declares himself in favor of Newton in no uncertain terms. See Smith, Adam, *Lectures on Rhetoric and Belles Lettres*, Ed. John Cameron Bryce, Liberty Fund, 1985, 145-6.

⁴⁴ See Fleischacker, Samuel, *A Third Concept of Liberty: Judgment and Freedom in Kant and Adam Smith*, Princeton, 1999; Griswold, Charles L., *Adam Smith and the Virtues of Enlightenment*, Cambridge, 1999, 25 n.37.

A good place to observe the Smithian synthesis in action is his short essay “Considerations Concerning the First Formation of Languages,” first published in 1767, where Smith again refers back to the *Second Discourse* and attempts to answer a question Rousseau thought an impossible paradox: how does language emerge?⁴⁵ For Rousseau, the problem seemed circular: the existence of a language with consensual meanings appears to depend on dense social ties, but, at the same time, the idea of a dense social life seems to presuppose the existence of consensual meanings.⁴⁶ The gulf between the internal life of the self and the order of society appears unbridgeable. It would seem that society and language must emerge simultaneously, as if by miracle, or not at all.

This insistence on the aporetic nature of developmental or evolutionary explanations is a persistent feature of Rousseau’s thought, operative most notably in what William E. Connolly has called the “paradox of politics.”⁴⁷ As Rousseau describes it, a truly just polity depends upon the existence of virtue, yet virtue simultaneously presupposes the good laws of a well-ordered society.⁴⁸ In this scenario, piecemeal political reform appears to be stymied because any meaningful reformation of society is linked to a transformation in the virtue of citizens. A similar motif reappears in Rousseau whenever he attempts to trace the origins of language, society, and politics. He nearly always employs paradox in order to short-circuit developmental explanations of harmonious order. At the same time, Rousseau depicts with unparalleled vividness a whole series of destructive counter-orders and vicious cycles of decay, from moral decline to economic degradation.

⁴⁵ Smith, Adam, “Considerations Concerning the First Formation of Languages,” In *Lectures on Rhetoric and Belles Lettres*, Ed. John Cameron Bryce, Liberty Fund, 1985, 203-226.

⁴⁶ Rousseau, Jean-Jacques, *The Discourses and Other Early Political Writings*, Ed. Victor Gourevitch, Cambridge, 1997, 144-50.

⁴⁷ Connolly, William E., *Political Theory and Modernity*, Blackwell, 1988, 53-7.

⁴⁸ *Ibid.*, 56.

Since Rousseau was familiar with the idea of spontaneous social order from his engagement with Mandeville,⁴⁹ it is worth pausing to ask why he consistently attempts to undermine invisible-hand style explanations. I suspect the answer has to do with his conception of moral philosophy. Rousseau's moral philosophy is centrally concerned with freedom of the will and the conditions that make possible the free-choice of the autonomous agent.⁵⁰ From this perspective, explanations of social processes that seem to work by themselves, like Mandeville's distillation of public virtue from private vice, or indeed any simple form of historical optimism, eliminate the need for Rousseau's kind of radical free-choice, because the final positive outcome remains likely regardless of any actions citizens might take. Mandeville's egoistic actors are riddled with vice; they will never become true moral subjects as Rousseau conceives them, no matter how efficient their self-interest appears from a utilitarian perspective. Inner experience and outer consequence simply do not align by themselves. From this perspective, one danger is that historical or developmental narratives, *even if they are true*, tend to encourage a moral complacency that ultimately becomes a source of corruption.⁵¹ Optimism undermines itself. Paradox is thus Rousseau's remedy for the self-congratulatory faith in historical progress apparent in Mandeville and others, as well as a way to emphasize the need for moral autonomy.

Conversely, Smith's task is to explain the possibility of an upward cycle of historical growth, so that the future may be redeemed from the perspective of the present. In the

⁴⁹ Prieto, Jimena Hurtado, "Bernard Mandeville's Heir: Adam Smith or Jean Jacques Rousseau on the Possibility of Economic Analysis," *The European Journal of the History of Economic Thought* 11.1 (2004): 1-31.

⁵⁰ Berlin, Isaiah, *Freedom and Its Betrayal*, Ed. Henry Hardy, Princeton, 2002, 33-5.

⁵¹ One is reminded of the concluding statement in Hegel's preface to the *Phenomenology*, describing the observer who has come to understand the historical development of self-consciousness: "Of course, he must make of himself and achieve what he can; but less must be demanded of him, just as he in turn can expect less of himself, and may demand less for himself." Hegel, G.W.F., *Phenomenology of Spirit*, Trans. Arnold V. Miller, Oxford, 45.

“Considerations Concerning the First Formation of Languages,” Smith crafts a developmental account of language. As he tells it, there is no real paradox. He believes that individuals, through an effort to make their needs intelligible, develop the rudiments of a primitive language that becomes increasingly complex as society develops.⁵² Out of individual needs and motivations, a space of intersubjectivity and mutual exchange develops. Part of this process is the development of vocabularies and grammatical structures that shape the experience of a common world, allowing individuals to share experiences.

At least in part, Smith's musings about the slow historical growth of intersubjectivity address the old Hobbesian problem of how pre-political actors locked in competition could agree to form society, as well as Rousseau's questions about the origins of language. For Smith, neither society nor language is primary; instead, they both grow up together in history as people interact. This account is already deeply political, since it describes how a minimal community develops "behind the backs" of language users without the imposition of sovereignty.

Self-interest still supplies the initial impetus of the interaction, but over time the “I” becomes a “We,” as one famous reader of Smith would describe a similar development.⁵³ This does not imply that relations of hierarchy or domination are absent, or that all actors have an equal influence on the shape of a language. Self-interest and the longing for superiority are not superseded, but come to be supplemented by another kind of experience that depends on a minimal degree of mutual recognition and shared interest, even if that just means recognizing another person as qualified to speak. Unlike Mandeville's account of a similar-self ordering process in *The Fable of the Bees*, the individual actors in Smith's story do not remain

⁵² "What a Roman expressed by the single word, *amavissem*, an Englishman is obliged to express by four different words, *I should have loved*." Smith, Adam, "Considerations Concerning the First Formation of Languages," In *Lectures on Rhetoric and Belles Lettres*, Ed. J.C. Bryce, Liberty Fund, 1985, 224.

⁵³. Hegel, Georg Wilhelm Friedrich, *Phenomenology of Spirit*, Trans. Arnold V. Miller, Oxford, 1977, 110.

completely bound to their own egoistic impulses, but come to understand and engage with their counterparts, even as they pursue their own self-interest. Unlike the Rousseau of the *Social Contract*, no explicit consensus is required to form this community. Moreover, for Smith, the moral aspect of this interaction has to do with the mutual service and shared intelligibility it makes possible, whether or not conscious free will ever intervenes in the process.⁵⁴

This is not the place to ask whether Smith's brief sketch provides a satisfactory account of language (and I do not believe it does). The important point to note is simply that Smith centered his account of language on the historical emergence of shared meaning out of individual utility and desire. This model of "linguistic exchange" is more important for his entire philosophy than is sometimes recognized. For instance, although Smith has often been accused of a naive belief that the "propensity to truck and barter" is a simple fact of human nature,⁵⁵ as if every heart beats with the blood of *homo oeconomicus*, he notably introduces the topic in *The Wealth of Nations* by referring back to the historical acquisition of language:

Whether this propensity [to trade and exchange] be one of those original principles in human nature, of which no further account can be given; or *whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech* [emphasis added] it belongs not to our present subject to enquire.⁵⁶

Language is somehow intimately related to economic exchange, and if Smith deftly sidesteps the topic in the *Wealth of Nations*, it is because he addresses it elsewhere. In any event, Smith thought the musings of the "Considerations" were important enough that he insisted the essay be included as an appendix in the later editions of *The Theory of Moral Sentiments* that were

⁵⁴ Griswold observes that Smith consistently avoids terminology that involves or suggests free will or autonomy. Griswold, Charles L., *Adam Smith and the Virtues of Enlightenment*, Cambridge, 1999, 115.

⁵⁵ Polanyi, Karl, *The Great Transformation: The Political and Economic Origins of Our Time*, Beacon, 2001, 45, 258.

⁵⁶ Smith, Adam, *The Wealth of Nations*, Vol. 1., Liberty Fund, 25.

published in his lifetime.⁵⁷ In truth, this inclusion of the “Considerations” makes sense, because both works seek to explain the emergence of different aspects of intersubjectivity, i.e. the linguistic and the moral, respectively.

Smith’s moral theory as it takes shape in the first pages of *The Theory of Moral Sentiments* is surprisingly simple. He believes that we continually judge the actions of people we encounter, with two possible outcomes. We can accept that we would have acted in a similar fashion given that situation, in which case we approve of the action; or we feel that we would have acted differently, in which case we disapprove.⁵⁸ Smith’s claim is that approving or disapproving in this way is the common sense meaning of moral judgement.⁵⁹ Because such judgments depend on an understanding of what is usually done or expected of us in typical situations, or what Smith calls “propriety,”⁶⁰ morality for him is intrinsically social or intersubjective. It would be appropriate to say that, for Smith, morality is a more or less stable pattern of judgments that evolves out of accumulated effects of countless decisions in particular situations, just as language evolves.

Such an act of judgement requires an ability to place ourselves in the position of the other and to attempt to recreate his experience in our imagination. To understand and judge the actions of a fearful person, we must allow ourselves to experience some semblance of his fear; only thus can we decide if his response was brave or cowardly. Smith calls this “fellow-feeling” with the passions and actions of others “sympathy.”⁶¹

⁵⁷ Otteson, James R, *Adam Smith*, Continuum, 2011, 15.

⁵⁸ Smith, Adam, *The Theory of Moral Sentiments*, Liberty Fund, 1984, 16.

⁵⁹ “And if we consider all the different passions of human nature, we shall find that they are regarded as decent, or indecent, just in proportion as mankind are more or less disposed to sympathize with them.” Ibid., 27.

⁶⁰ Ibid., 12.

⁶¹ Ibid., 10.

Sympathetic identification, seeing oneself as another, depends heavily on the imagination, since only an imaginative reconstruction of the whole scenario makes the act intelligible.⁶² For instance, Smith explains that if we observe an inexplicably angry person running down the street and shouting, our first reaction is likely to be fear and disapproval.⁶³ Yet if we learn that the anger is a result of, say, a robbery, we are likely to revise our opinion and view the rage with indulgence. Judgement is a process of give and take as we come to learn more about others within intersubjective processes.

Smith's ethics might appear to be overly socialized or to flirt with relativism, since it depends mostly on the practical judgments that real communities actually make, without any distinct or transcendent standard to serve as a measure.⁶⁴ In order to avoid this problem, Smith links his account of imaginative moral judgment to a sort of thought experiment that he calls the "impartial spectator." A judgment would be truly just, according to Smith, if it were made by a totally disinterested person possessing all the relevant information.⁶⁵ The better a judgment is, the more it will resemble the stance of the impartial spectator. Amartya Sen rightly notes that, as a philosophical device, the impartial spectator pushes us progressively towards impartiality and universality, and in this instance Smith again precedes Kant.⁶⁶ The impartial spectator serves as a sort of loose standard, a target that moves as we learn more about the world.

However, there is a flip side to moral judgement, namely, the anxious awareness that we too are subject to constant judgement at the tribunal of public sentiment. We live with the

⁶² Raphael, D. D., *The Impartial Spectator: Adam Smith's Moral Philosophy*, Oxford, 2007, 14.

⁶³ Smith, Adam, *The Theory of Moral Sentiments*, Liberty Fund, 1984, 16.

⁶⁴ Fleischacker, Samuel, "Adam Smith and Cultural Relativism," *Erasmus Journal for Philosophy and Economics* 4.2 (2011): 20-41.

⁶⁵ Sen, Amartya, "Introduction," In Adam Smith, *The Theory of Moral Sentiments*, Penguin, 2009.

⁶⁶ *Ibid.*, xviii.

constant knowledge that our actions and opinions, our tastes and our associations, are regularly being judged by those around us. Smith writes that, "As to love our neighbor as we love ourselves is the great law of Christianity, so it is the great precept of nature to love ourselves only as we love our neighbor, or what comes to the same thing, as our neighbour is capable of loving us."⁶⁷ This ever present awareness of our own vulnerability and subjection to the judgment of others has important consequences that will link together Smith's moral theory, his understanding of intersubjective recognition, and his political economy.

Hobbes believed that the fear of violent death was the true remedy for pride. Similarly, Smith too believes a kind of anxiety or vulnerability that stems from our continual need to seek the sympathy/moral approval of others forces us to moderate our naturally violent and "unsocial" passions. A type of fear is still essential. In other words, the vicissitudes of human experience are such that moderation is in our own self-interest. In the same way that children learn not to throw temper tantrums by observing the displeasure they evoke, we all learn to moderate our inflated sense of self-interest by anticipating the likely responses of others from social precedent.⁶⁸ This observation is absolutely crucial for Smith because it implies that social concord can emerge spontaneously, without relying on either natural human goodness or political control. To put the idea in more contemporary language, Smith believes that social interaction tends to be self-limiting because it is founded on a kind of negative-feedback. This idea will appear again in the *Wealth of Nations*.

Smith's evocative observations are worth quoting at length:

Mankind, though naturally sympathetic, never conceive, for what has befallen another, that degree of passion which naturally animates the person principally concerned. That imaginary change of situation, upon which their sympathy is founded, is but momentary....The person principally concerned is sensible of

⁶⁷ Smith, Adam, *The Theory of Moral Sentiments*, Liberty Fund, 1984, 25.

⁶⁸ Ibid., 145.

this, and at the same time passionately desires a more complete sympathy. He longs for that relief which nothing can afford him but the entire concord of the affections of the spectators with his own. To see the emotions of their hearts, in every respect, beat time to his own, in the violent and disagreeable passions, constitutes his sole consolation. But he can only hope to obtain this by lowering his passion to that pitch, in which the spectators are capable of going along with him. He must flatten, if I may be allowed to say so, the sharpness of its natural tone, in order to reduce it to harmony and concord with the emotions of those who are about him.⁶⁹

While Smith believes that humans take pleasure in the company of others and tend to seek out companionship for just this reason, at root it is our own anxiety and vulnerability that prompts us to moderate the antinomian tempest of self-love. Self-interest pushes us into mutual exchange with others, and exchange is a process of give and take that generally moves away from excess toward a middle ground; at least, that is Smith's basic contention, as well as his great hope.

4. Commercial Humanism and Its Limits

In *The Wealth of Nations*, Smith sets forth the view that economic markets, constrained by the appropriate state institutions and the rule of law, enable economic growth and generalized prosperity.⁷⁰ At this point, it should come as no surprise that the book has a distinctly normative goal, namely, to describe how political economy can fit into a broader moral conception. After Rousseau, part of this task necessarily involves the reconciliation of individual experience and agency with an understanding of political and historical order, two perspectives on the world that began to diverge in early modernity; only on this condition can it plausibly be argued, as Smith did, that a future happiness in the world is possible.

⁶⁹ Ibid., 22.

⁷⁰ Montgomery, Scott L., and Daniel Chirot, *The Shape of the New: Four Big Ideas and How They Made the Modern World*, Princeton, 2015.

Commerce plays a key role in Smith's project because it is at the intersection of so many questions about how humans develop, relate to each other, and orient themselves in the larger social world. If the search for profit lacks any principle of order or degenerates into pure excess, as Aristotle claims, then humanity is condemned to choose between stability and worldly comfort. If self-love and the desire for superiority can be tamed only by external authority, as Hobbes claims, we must choose between justice and liberty, and freedom can only be the silence of the law. Finally, if the picture that Rousseau so vividly paints is correct, and history is little but a tale of decay and exploitation, then happiness in this world appears unreachable. We are faced with a series of stark trade-offs and vicious cycles, in which politics must vacillate between radicalism and resignation.

Smith seeks to provide a vision in which the good things of the world can more readily coexist. This reconciliation involves showing that prideful self-interest can be tamed and enlarged, and that affluence is compatible with virtue, properly understood. His early works already begin to approach these issues by showing how individuals are shaped by a shared language and self-interest is muted by our dependence on sympathy and recognition. Smith's guiding conception is the idea of an expanding moral community, branching outward from immediate localities, to the nation, to the globe, as individuals interact and learn about the world.⁷¹

James Otteson argues in his influential book *The Marketplace of Life* that there is a strict parallel that runs across all Smith's work, in the sense that the sort of spontaneous, positive-sum exchanges that Smith discovered in language and morality are mirrored in and

⁷¹ This notion of expanding circles of sympathy is examined in Forman-Barzilai, Fonna, *Adam Smith and the Circles of Sympathy: Cosmopolitanism and Moral Theory*, Cambridge 2010.

fully compatible with his account of commerce.⁷² The upshot is that, for Otteson, Smith shows why commerce necessarily has a moral basis and how it reinforces both norms and political stability. This reading of Smith, which has gained a conspicuous prominence since the 1980s,⁷³ reverses the longstanding view that the ethical philosophy of *The Theory of Moral Sentiments* is in tension with the egoism of *The Wealth of Nations*.⁷⁴ Otteson, who is perhaps the best contemporary interpreter of Smith on the Right, observes that Smith has three moral arguments to marshal in favor of commercial society: 1) it generates widespread affluence, 2) it fosters community, and 3) its various modes of exchange sometimes create the conditions for moral equality between autonomous individual agents.⁷⁵ To this list we might add other arguments often associated with Smith's name, such as the idea that commerce restrains violent passions, what Hirschman calls the *doux commerce* hypothesis.⁷⁶ Other notions include the idea that private property creates a sphere of control that allows each person to develop unique talents and capabilities, as well as the vague sense that labor itself can be a source of dignity.⁷⁷ This is Smith's moral vision as it is popularly conceived today.

Otteson's summary is helpful because it provides a concise overview of Smith's position, but he leaves out a few crucial details. Unlike the moral claims that Smith makes in *The Theory of Moral Sentiments*, his arguments for the essential goodness of commercial

⁷² Otteson, James R., *Adam Smith's Marketplace of Life*, Cambridge, 2002.

⁷³ One book that helped start this trend in the 80's is Novak, Michael, *The Spirit of Democratic Capitalism*, Simon and Schuster, 1982.

⁷⁴ The supposed incompatibility between *The Theory of Moral Sentiments* and *The Wealth of Nations* is known as "Das Adam Smith Problem." For an overview of the many twists and turns this idea has taken in the last century, see Montes, Leonidas, "Das Adam Smith Problem: Its Origins, the Stages of the Current Debate, and One Implication for Our Understanding of Sympathy," *Journal of the History of Economic Thought* 25.01 (2003): 63-90.

⁷⁵ Otteson, James R., *Adam Smith's Marketplace of Life*, Cambridge, 2002, 16.

⁷⁶ Hirschman, Albert O., *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph*, Princeton, 1977.

⁷⁷ Brennan, Jason, *Why Not Capitalism?*, Routledge, 2014.

society are critically dependent upon a set of contingent historical and social circumstances. The parallel that Otteson wants to draw is therefore incomplete. Whereas the positive-sum argument of Smith's earlier works depends almost exclusively upon the mutual encounter of two or more subjects, his defense of commerce in the *Wealth of Nations* depends on a particular institutional setting, namely, a market economy based largely on face-to-face exchanges under conditions of sustained economic growth.

Furthermore, there is an essential problem with the whole project — I will call it the idea of "democratic capitalism" for convenience's sake — that seeks to use a reinterpretation of Smith's work as the basis for a kinder, gentler depiction of really existing capitalism. Not to put too fine a point on it, the fundamental problem with this outlook is that theories of democratic capitalism are too quick to assume that morals, markets, and liberal democracy are mutually reinforcing, so that markets naturally produce moral citizens and create the affluence required for a democratic civil society. Little attention is paid to ways that, say, volatility in markets or periods of extreme inequality might undermine social stability or become politically intolerable in democratic states. Other problems fall out of the theory entirely. To take one important example, popular conceptions of democratic capitalism have little to say on issues of international politics — such as the longstanding historical relationship between power, markets, and prosperity — beyond the rather vague notion that trade generally promotes peace. From a broader perspective, Otteson is only the latest and most articulate exponent of a flawed project.

But Smith, who is always alert to the dangers posed by pride and self-interest, did not readily simplify the world to fit his theory.⁷⁸ For instance, he points to problems posed by overspecialization and dehumanizing styles of work.⁷⁹ He also feared that large companies would "tend to make government subservient to the interests of monopoly" in England and its colonial possessions.⁸⁰ More to the point, Smith understood that the development of commerce, technology, and military capability has historically gone hand-in-hand, with the result that large international markets were often forced open by the tip of a colonial bayonet.⁸¹ He hoped that eventually increased international trade would obviate the various moral and political problems that colonialism caused on the international scene. But this was not because he believed that trade automatically aligns competing interests and produces positive-sum outcomes, thereby rendering power politics a thing of the past, as today's advocates of so-called "commercial peace theory" suggest.⁸² Instead, like the Hobbesian realist that he was, Smith hoped that markets would disperse technology, leading to a global balance of power:

Hereafter, perhaps, the natives of those countries may grow stronger, or those of Europe may grow weaker, and the inhabitants of all the different quarters of the world may arrive at that equality of courage and force which, by inspiring mutual fear, can alone overawe the injustice of independent nations into some respect for the rights of one another. But nothing seems more likely to establish this equality of force than that mutual communication of knowledge and of all sorts of improvements which an extensive commerce from all countries to all countries, naturally, or rather necessarily, carries along with it.⁸³

⁷⁸ See, for example, his characterization of class struggle in commercial society: "Masters are always and everywhere in a sort of tacit but uniform combination not to raise the wages of labor."⁷⁸ Smith, Adam, *The Wealth of Nations*, Vol. 1., Liberty Classics, 1976, 84.

⁷⁹ Smith feared that routine tasks would produce restricted minds. Many of his observations are still relevant in the 21st century service economy. See Smith, Adam, *The Wealth of Nations*, Vol. 2., 782.

⁸⁰ Smith, Adam, *The Wealth of Nations*, Vol. 2., 638.

⁸¹ Karl Polanyi remarked that "Anti-imperialism was initiated by Adam Smith, who thereby not only anticipated the American Revolution but also the Little England movement of the following century." Polanyi, Karl, *The Great Transformation*, Beacon, 2001, 221.

⁸² For an exhaustive overview of this question, see Barbieri, Katherine, *The Liberal Illusion: Does Trade Promote Peace?*, Michigan, 2002.

⁸³ Quoted in Arrighi, Giovanni, *The Long Twentieth Century: Money, Power, and the Origins of Our Times*, Verso, 2010, 20.

We should be careful not to exaggerate the extent of Smith's critical stance. He is highly optimistic about the effects of expanded commerce and confident in its essential goodness. But he champions commerce *despite* the problems he sees in it. Conversely, the simplistic worldview of democratic capitalism prevents us from appreciating the nuance and limitations of Smith's thought. More importantly, it prevents us from understanding the contradictions and evils of the existing market order. In what follows, I explore these issues in more detail.

For Smith, the moral basis of markets depends upon individual encounters and sustained growth. When these conditions are absent, the encounter between subjects is distorted, and the moderating influence of recognition no longer holds steady. If the encounter is missing, so that one no longer bears the burden of judgment, or if the consequences of one's behavior are borne by third parties or shielded from public view, the virtuous cycle never gets started. When Jim drinks but John gets drunk, neither learns sobriety. It is not commerce itself that reinforces morality, always and everywhere, but only a particular kind of commercial exchange, under a fairly demanding set of circumstances. This means that Smith's defense of commercial society is, at best, partial and hypothetical, since the virtuous cycle of exchange he describes is critically dependent on the particular structure of the market, which is subject to change.

We have repeatedly observed that Smith believes self-interest can be a moderating influence because, when we depend on the judgments of others, it is in our interest to temper our desires. This same argument is carried over into economic exchange. To the traditional charge that profit seeking only engenders greed and excess, or that it encourages us to exploit others as a means to an end, a good Smithian will invariably reply that commerce can also be

self-moderating, because exchange depends on some degree of consensus.⁸⁴ Like language, regular commercial exchange presumes some modicum of mutual understanding. Trust is the classic example. If the corner grocery systematically tried to exploit each customer, or to significantly overprice items, consumers would eventually lose trust and take their business elsewhere.⁸⁵ Under favorable circumstances, then, self-interest may actually create the conditions to foster moderation rather than excess.

Ultimately, Smith's defense of commercial society rests on the hope that the restraining influence of self-interest would become widespread in a society where most members depend on exchange for their livelihood because "The success of such people...almost always depends upon the favor and good opinion of their neighbours and equals."⁸⁶ Prudence restrains pride. The vulnerability and dependence of the "middling" ranks forces them to acquire a set of traits centered on honesty and self-discipline. A peculiar type of human being is formed, a type that loses "the solid and masculine virtue of a warrior, a statesman, a philosopher,"⁸⁷ but gains a different set of bourgeois virtues:

Probity and prudence, generosity and frankness, must characterize his behavior upon all ordinary occasions; and he must, at the same time, be forward to engage in all those situations in which it requires the greatest talent and propriety but in which the greatest applause is to be acquired by those who can acquit themselves with honour.⁸⁸

Or, again:

Either habitual imprudence...or injustice, or weakness, or profligacy, will always cloud and sometimes depress altogether, the most splendid professional abilities. Men in the inferior and middling stations of life, besides, can never be great enough to be above the law.⁸⁹

⁸⁴ Otteson, James, *The End of Socialism*, Cambridge, 2014, 103.

⁸⁵ These and similar arguments are examined in Mueller, John E., *Capitalism, Democracy, and Ralph's Pretty Good Grocery*, Princeton, 1999.

⁸⁶ Smith, Adam, *The Theory of Moral Sentiments*, Liberty Fund, 1984, 63.

⁸⁷ Ibid., 63.

⁸⁸ Ibid., 55.

⁸⁹ Ibid., 63.

Much is contained in Smith's description of the prudent man. This representative member of commercial society is generous and strong. He cultivates his gifts and prepares for new situations. Above all, his understanding of his own vulnerability and dependence makes him subject to the rule of law and more able to see others as his rough equals. These are tall claims to make about the citizens of any social order. From one point of view, Smith's ideas look class bound and provincial.⁹⁰ But it seems to me that this charge is somewhat misplaced. Smith does not assume that everyone is a bourgeois individualist, nor does he believe that all members of the bourgeoisie are virtuous. Rather, he argues that if more people – including those within the bourgeois class – cultivated the distinctively bourgeois virtues, the world would be a better place.

Nevertheless, whether or not the market can have any such moderating influence depends on the sort of institutions that are in place, and this simple observation has nothing to do with the ideological divisions that shape most discussions of political economy. After all, it was Smith's stolid contemporary Edmund Burke who first worried that fast finance and unaccountable corporations were undermining the moral fabric on which commerce depends.⁹¹ In recent years, Roger Scruton too has noted that Adam Smith's whole moral vision depends on whether or not individual agents bear the costs of their actions, and that this is by no means the usual case as markets have become more complex.⁹² For Smith, like Hobbes, status envy and self-love are core aspects of the human predicament, and the impulse to moderation is at root a kind of fear that emerges only when we are subject to the negative judgments of others.

⁹⁰ Although it does not treat Smith, the classic work on the class presuppositions of liberal thought remains Macpherson, C. B., *The Political Theory of Possessive Individualism: Hobbes to Locke*, Oxford, 1964.

⁹¹ Burke, Edmund, *Reflections on the Revolution in France*, Ed. J.G.A. Pocock, Hackett, 1987, xxxii.

⁹² Scruton, Roger, *How to Be a Conservative*, Bloomsbury, 2014, 63.

Of course, Smith's vision assumes that 1) others have roughly accurate information about our actions and 2) we personally experience the consequences of negative judgments. But as Roger Scruton points out:

[T]rust can be as easily eroded by a free economy as sustained by it...The economies considered by Adam Smith and his nineteenth-century successors were economies in which the assets owned by the parties were items of real property for which the owner took full responsibility, and which were looked after by those who owned them...⁹³

The danger is that Smith's hopeful moral vision begins to implode when responsibility can be easily avoided, either through subterfuge or through legal constructions like limited liability that can work to ensure that no living person can be held accountable for the actions of corporate entities.⁹⁴ Or, to take another example of the way that responsibility can be avoided through legal subterfuge, one could point to the way many companies in recent years have sought to prod consumers into arbitration agreements, effectively removing many issues from basic forms of judicial oversight that underpin fair and stable markets.⁹⁵

Similarly, when the market trades not on goods, but on the possible future movement of pieces of debt, over which no single person has knowledge or control, it becomes easier to evade judgment and harder to assign responsibility. The encounter between subjects, always incomplete, is now almost entirely absent. Without oversight, economic actors are encouraged

⁹³ Ibid., 58-9.

⁹⁴ For an accessible discussion of these issues, see Reich, Robert B, *Saving Capitalism: For the Many, Not the Few*, Knopf, 2015.

⁹⁵ Reporting in the *New York Times*, Jessica Silver-Greenberg and Robert Gebeloff observe that "By inserting individual arbitration clauses into a soaring number of consumer and employment contracts, companies like American Express devised a way to circumvent the courts and bar people from joining together in class-action lawsuits, realistically the only tool citizens have to fight illegal or deceitful business practices. Over the last few years, it has become increasingly difficult to apply for a credit card, use a cellphone, get cable or Internet service, or shop online without agreeing to private arbitration. The same applies to getting a job, renting a car or placing a relative in a nursing home." Silver-Greenberg, Jessica, and Robert Gebeloff, "Arbitration Everywhere, Stacking the Deck of Justice," *The New York Times* 15 Oct. 2015.

to cheat, to shift the costs of their actions onto others, or into the future; it once again becomes more advantageous to seem virtuous than to actually be virtuous, which was Rousseau's fundamental indictment of modernity all along.

Nor is it obvious that this situation can be easily remedied, even under the best legal and regulatory context imaginable, since it has to do with trends in the long term evolution of (post)industrial societies. The way that humans relate to each other through the economy has changed in profound ways. Ernest Gellner, in the course of a long paean to the virtues of liberal society, soberly recognizes the dilemmas it now faces:

Technical innovation at the beginning or in the course of the first Industrial Revolution was not too far removed in its ideas from the shared common sense of the society. The inventors of the time were mainly practical men of good sense, not abstract scientists at the very boundaries of current scientific theory. The rewards accruing to innovation consequently had a kind of legitimacy: they were the recompense of innovative enterprise on the part of those so rewarded...Today, innovation is the fruit of an overall scientific advance, and the actual inventor is only the fortunate last link in a long chain to which countless others have contributed. In fact, notoriously, it very often is not the inventor of the new idea who is rewarded by its implementation. Disaggregation of the actual contribution of the advance is almost impossible. Rewards are random, and frequently go not to creative innovators but to those well placed to be insider traders...The legitimacy of such wealth is far from persuasive...But, in fact, it is of the very essence of a modern economy that it is based on "insider trading," the economic use of information concerning the political creation or determination of an environment which has ceased to be natural, and has become social, politically created. There is no other kind. There simply is no "outside" with which to trade. When the methods of production need to adjust themselves for optional effectiveness, not to nature, but to a socially created and politically manipulated environment, information about and contact with that crucial political milieu is what makes the difference between success and failure.⁹⁶

In short, Gellner argues that the social and institutional prerequisites for 21st century markets are so dense that concepts like Smithian responsibility and prudence have largely become divested of meaning. The point is not necessarily that the general economic principles that

⁹⁶ Gellner, Ernest, *Conditions of Liberty: Civil Society and Its Rivals*, Penguin, 1994, 90-1.

Smith expounds, centered on individual choice inside a robust legal framework, no longer apply. Rather, Gellner suggests that the moral principles start to break down when success depends less on one's own actions and more on one's chance position in a social network, a situation in which any single person has limited responsibility and others may have little oversight. Where this is true, or perceived to be true, increased cheating and resentment are likely to result. The Rousseauian discrepancy between appearance and reality again rears its ugly head.

Furthermore, even if we set aside such speculations on the various moral effects of economic structure, it seems that Smith's moral theory simply overemphasizes the ability of social interaction and mutual recognition to restrain unruly passions. That is, his theory of intersubjectivity itself is not fully satisfactory. Again, Edmund Burke was one of the first to point to this problem in Smith's thought. As Burke would observe in his review of *The Theory of Moral Sentiments*, Smith's thought is motivated by an aesthetic ideal of orderly and proportionate beauty; as a result, he tends to underestimate the sort of violent and unpredictable passions that so fascinated and worried Burke, and the robust institutions needed to constrain them.⁹⁷ Burke suggests that Smith fails to grasp the true extent of the disruptive forces at work in the world and exaggerates the ease with which harmony can be wrested from individual action. Since *The Theory of Moral Sentiments* went through six revised editions in Smith's lifetime, and he never attempted to redress Burke's critique or the conception of the sublime as it appears in Burke's *A Philosophical Enquiry into the Origin of Our Ideas of the Sublime and Beautiful* (1757), it seems that we are faced with a difference of opinion about the nature of

⁹⁷ Bromwich, David, *The Intellectual Life of Edmund Burke: From the Sublime and Beautiful to American Independence*, Harvard, 2014, 39.

human experience, rather than a casual oversight.⁹⁸ And it is not obvious that Smith gets the better of this argument.

Part of the problem may be that Smith attributes too much weight to the powers of a well-formed and sharply demarcated individual identity. After all, enlightened self-interest depends on a clear sense of self. Yet, as Burke would note in *Reflections on the Revolution in France*, during pivotal moments our individual identity and sense of self can merge with others, forming a crowd or movement that seems like a collective agent.⁹⁹ Identity is thus fluid and shifting, and this becomes more evident, for instance, in dynamic, racialized, regulated urban environments. Once again, in these situations it becomes hard to assign responsibility, to pick out an individual face in the crowd, and to pass judgement. If the market can be depersonalized, so can we. In this case, Burke implies, the sense of vulnerability and the fear of judgment on which Smith founded his ethics of recognition can breakdown. Now the passions are not subject to negative-feedback and moderation, but to positive-feedback as we drive each other onward. If Gellner's point is that Smith's work seems to describe a world before advanced capitalism, Burke implies that it may be just as important that he describes a world before the fall of the Bastille.

With his appreciation for aristocratic nobility, Burke also tended to be more sensitive than Smith to the many ways that modern forms of labor can be psychologically degrading, spawning resentments and anxieties that disrupt the political order. "The occupation of a hairdresser or of a working tallow-chandler," Burke insists, "cannot be a matter of honor to any person — to say nothing of a number of other more servile employments."¹⁰⁰ Burke's

⁹⁸ Depew, David J., "Adam Smith and Edmund Burke: Texts in Context," *Poroi* 7.1 (2011): 1-34.

⁹⁹ Burke, Edmund, *Reflections on the Revolution in France*, Ed. J.G.A. Pocock Hackett, 1987.

¹⁰⁰ *Ibid.*, 43.

comment is worth keeping in mind when 21st century conservatives stress the dignity of labor.¹⁰¹ Work can be and often is a source of value in life. But Burke was well aware that the insecure working conditions and stresses of labor can induce feelings of dishonor or inferiority.¹⁰² He also knew that, by insisting on the fundamental equality of all citizens, the political rhetoric of democratic societies often intensifies the resentments of people in positions of manifest inferiority. I suspect that his rhetorical respect for rank was, at least in part, designed to mute this kind of status envy. The French Revolution terrified Burke because he believed that, in the new era, such resentments might be violently redressed in national and international politics. Smith is not sufficiently attentive to these problems.

Finally, there is at least one more precondition for the virtuous cycle of commercial society. Economic growth itself is vitally important, as indeed Smith himself never hesitated to point out.¹⁰³ When the economy is stagnant or shrinking, the nature of commercial interaction can change so dramatically that we witness a breakdown of the moderating effects that Smith attributes to intersubjectivity. There are two reasons for this, centered on the spirit of generosity and the possibility of equality.

First, Smith believes that growing prosperity decreases the sense of desperation that pervades many earlier societies, and this, in turn, creates a capacity for generosity that has been sadly lacking throughout human history: "In a civilized nation the man who gives the present is superior to the person who receives it, but in a barbarous nation the case is directly

¹⁰¹ In the run-up to the 2016 presidential elections, the dignity of work has been a theme in partisan books like Brooks, Arthur C., *The Conservative Heart: How to Build a Fairer, Happier, and More Prosperous America*, Broadside, 2015.

¹⁰² "The degree of estimation in which any profession is held becomes the standard of the estimation in which the professors hold themselves." Burke, Edmund, *Reflections on the Revolution in France*, Ed. J.G.A. Pocock Hackett, 1987, 37.

¹⁰³ Smith, Adam, *The Wealth of Nations*, Vol. 1., Liberty Fund, 1976, 99.

opposite.”¹⁰⁴ People are more capable of giving and less fearful of losing when some modicum of affluence has been reached. Even better, the open tribute due to status or power loses its prevalence in commercial society, clearing the way for the impartial rule of law to take hold. Affluence helps remove some of the hopelessness that comes with the fear of economic uncertainty and gives more people a happy stake in the future.

Yet when the economy ceases to grow or, worse, actually shrinks, the moral dynamic also threatens to go into reverse. People become more fearful, narrow, and less willing to give. Those with wealth and power begin to acquire preponderate influence. The efficacy of law comes into question. All of this means that Smith's moral vision is at the mercy of larger economic, technological, and historical trends. It may be too cynical to say with Gellner that liberal society depends on a large and growing "Social Bribery Fund," but the general implication seems true enough.¹⁰⁵

The second reason growth is important has to do with the way it can limit power and encourage equality. In brief, Smith thinks that sustained economic growth can combine with open labor markets to reshape traditional power relationships in ways that make the virtuous cycle described in the *Theory of Moral Sentiments* more likely to occur. Once again, the key assumption of Smith's moral theory is that we have an interest in and vulnerability to the judgments others make on us. But Smith also knows that society is not composed of perfectly symmetrical relationships, but of power and wealth disparities that often create different degrees of moral agency. Under these conditions, the judgments and decisions of some persons are likely to matter far more than others, and this too can distort the encounter between subjects.

¹⁰⁴ Smith, Adam, *Lectures on Jurisprudence*, Ed. Ronald L. Meek, Liberty Fund, 1978, 405.

¹⁰⁵ Gellner, Ernest, *Conditions of Liberty: Civil Society and Its Rivals*, Penguin, 1994, 73.

In normal circumstances, the upper classes – or “masters” as Smith often calls them – are doubly advantaged. Not only, he says, do we naturally admire and acquiesce to the prerogatives of wealth and status, but any single poor individual tends to rely intensely on his employer or patron.¹⁰⁶ By contrast, the master typically has little interest in any particular servant or laborer, since the “lower orders” occur in such abundance that they seem interchangeable. “It is not,” Smith says, “difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms.”¹⁰⁷ Smith points to an asymmetry of power that is at heart a class relationship, and this disparity appears to set practical limits to the creation of a shared moral space through recognition, because real dialogue is absent and coercion can take the place of cognitive exchange. It is probably true that no man is a hero to his valet; but no hero stoops to care what his valet thinks, either. The gulf seems unbridgeable.

However, Smith argues, “[t]here are certain circumstances...which sometimes give the labourers an advantage.”¹⁰⁸ These circumstances, of course, are periods of economic growth. When the labor of the lower classes is required to sustain economic growth, when their services are in demand and their purchasing power gives them collective influence over the production of goods, the power of the upper classes is restrained because each party has something the other needs. In the end, growth seemed to Smith to be the only viable way to mute class struggle without relying on the brute power of the state, be it a Leviathan or an egalitarian republic. Smith thus presents us with the sobering thought that real liberty, at least as he understands it, is only possible during those fortunate periods of material abundance that

¹⁰⁶ Smith, Adam, *The Theory of Moral Sentiments*, Liberty Fund, 1984, 52.

¹⁰⁷ *Ibid.*, 83.

¹⁰⁸ *Ibid.*, 86.

can look like oases in a vast historical desert. Worse, the *Wealth of Nations* is sadly ambiguous as to whether Smith thought the economic growth he observed taking off in the 18th century was a permanent condition, or simply an interlude before society reached its "full compliment of riches" and entered a state of permanent stagnation.¹⁰⁹

Smith was not naive about the evils that continue to exist in commercial society. He knew that overspecialization went hand-in-hand with the division of labor, and saw how dehumanizing the mindless, repetitive style of work inside a nascent industrial economy could be for the new urban working class. Specialization, he wrote, often rendered workers "as stupid and ignorant as it is possible for a human creature to become."¹¹⁰ He knew that the "masters" continued to have a vast advantage in power, both economic and political, at their disposal, and he accepted that, given the chance, the upper classes would always collude to further their own interests, regardless of the consequences for public good.¹¹¹

Yet Smith embraced this new form of society wholeheartedly, and without fears of contradiction or paradox, largely because he was a student of history, especially ancient history. By comparison, he felt that commercial society, flawed though it may be, looked decent and good. Much of the *Wealth of Nations*, including most of Book III, is concerned with the fall of Rome and the feudal recovery, to which Smith traced the collapse of an early commercial period in Europe and the Mediterranean.¹¹² A close reader of Roman literature, Smith surely knew how hard it was for the Romans to win their livelihood from the Italian soil. He must also have known that it was not unheard of for the Romans to take 150,000 slaves

¹⁰⁹ Heilbroner, Robert L., "The Paradox of Progress: Decline and Decay in The Wealth of Nations," *In Essays on Adam Smith*, Ed. Andrew S. Skinner and Thomas Wilson, Oxford, 1975.

¹¹⁰ Smith, Adam, *The Wealth of Nations*, Vol. 2, Liberty Fund, 1976, 782.

¹¹¹ "Masters are always and every where in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate." Smith, Adam, *The Wealth of Nations*, Vol. 1, Liberty Fund, 1976, 84.

¹¹² Hont, Istvan, "Adam Smith and the Political Economy of the 'Unnatural and Retrograde' Order, In *Jealousy of Trade: International Competition and the Nation State in Historical Perspective*, Harvard, 2005.

from a single campaign (and these were the proverbial good guys of ancient history!).¹¹³ Smith hoped that the combination of growth and markets could bring widespread material abundance and, at the same time, tie the interests of upper and lower classes closer together. These advantages are not to be scoffed at, and he seized them eagerly. If his conception of commercial society appears rather less convincing from a contemporary vantage point, it may also be true that Smith's critics have not produced a satisfactory alternative.

¹¹³ Woolf, Greg, *Rome: An Empire's Story*, Oxford, 2012, Ch. 6 "Slavery and Empire."

Chapter 3: Skepticism and Utopia: The Liberalism of F.A. Hayek

“[U]topia lost its strangeness and came to appear to me as the only solution of the problem in which the founders of liberal constitutionalism had failed.”

– F.A. Hayek¹

“His liberalism – based not in the humanistic distrust of dogma, but in a religious distrust of the reliability of thinking – did not in fact prevent him from a sturdy faith in revelation.”

– Thomas Mann²

Duncan Bell has recently observed that liberalism is a catch-all term – he calls it “the metacategory of Western political discourse”– whose meaning has become increasingly expansive throughout the last hundred years as Anglo-American political thinkers have sought to define themselves against a series of authoritarianisms and international threats.³ The result, he claims, is that the term has been hallowed out and is of relatively little use for political analysis.⁴ Bell’s point is well taken. The encounter with economic depression, war, and totalitarianism has greatly distended the concept of liberalism, so that thinkers with sharply opposed political visions are often lumped into the same procrustean category. This produces some strange bedfellows; one only has to read John Rawls and Friedrich Hayek side-by-side to sense how bizarre it can feel to call both men philosophers of liberalism.

Nevertheless, I find myself reluctant to abandon the term. In part this is because some idea of liberalism, vague as it is, remains central to American political discourse, and this remains the case even if, like most political concepts, liberalism incorporates a cluster of ideas that are often contested. Just as importantly, philosophers continue to describe themselves as liberal. Therefore, although I hear Bell’s admonition, this chapter examines some of the

¹ Hayek, Friedrich, *Law, Legislation and Liberty*, 3 Vols., Routledge, 1973, 4.

² Mann, Thomas, *Doctor Faustus*, Trans. John E. Woods, 1999, 105.

³ Bell, Duncan, “What Is Liberalism?” *Political Theory* 42.6 (2014): 682-715.

⁴ *Ibid.*, 705.

changes that have taken place within liberal thought in the past half-century. I argue that during the 1970s many self-described liberals became strangely attracted to avowedly utopian thinking. This change is evident in many quarters, but nowhere is it more striking than in the work of Friedrich Hayek, the Austrian economist and social theorist. I explore some of the reasons for this utopian shift and analyze its consequences for Hayek's thought and the contemporary political landscape. I argue that Hayek's attempt to unite economic markets and liberal individualism with a utopian imagination turns liberalism into an authoritarian political project, undermining many traditional virtues of liberal thought.

It should perhaps be said at the outset that the focus of this chapter is slightly different than some other critiques of Hayek. Numerous criticisms can and have been given of his work and its basis in a theory of self-regulating markets. Some of these criticisms revolve around his failure to appreciate the historical relationship between market economies and colonial exploitation;⁵ some focus on the way that impersonal markets exacerbate social stratification and class conflict;⁶ others center on his failure to appreciate the crisis tendencies within capitalism or its capacity to generate ecological disasters.⁷ (We will encounter some of these arguments in more detail in Chapter 4, which covers the work of Karl Polanyi). Many of these critiques are powerful and insightful. Nevertheless, in keeping with the theme of this dissertation, I attempt to focus on the way that Hayek's understanding of the human

⁵ The work of historian William H. McNiehl provides a powerful reminder of the longstanding relationship between markets and forms of exploitation. For example, he notes that as far back as ancient Athens – a period to which Hayek often refers in support of his own views – export markets depended on a kind of quasi-colonial exploitation of the areas around the Black Sea. See McNiehl, William H, *The Shape of European History*, Oxford, 1974, 52-4. On the historical relationship between liberal thought and imperialism, see Mehta, Uday Singh, *Liberalism and Empire: A Study in Nineteenth-century British Liberal Thought*, Chicago, 1999, Ch. 3 “Progress, Civilization, and Consent.”

⁶ Cohen, G.A., *Why Not Socialism?*, Princeton, 2009, 34-5; Harvey David, *The Enigma of Capital: And the Crises of Capitalism*, Oxford, 2010, 62-3.

⁷ See also Gamble, Andrew, *Hayek: The Iron Cage of Liberty*, Cambridge, 1996, 124.

predicament is linked to a vision of impersonal economic processes. I argue that this vision leads him to embrace a utopian romanticism that elevates dogma and impairs his ability to take seriously the limits of economic markets. In this way, my goal is to illustrate how his call for a liberal utopia ultimately begins to resemble a kind of authoritarianism.

1. Minimalist Liberalism

Bell is not the first theorist to note that liberalism is a diverse philosophy, difficult to summarize with any degree of accuracy.⁸ However, it seems fair to say that, perhaps more than any other style of modern political thought, liberalism has for much of its history gone hand in hand with a compulsive aspiration to realism and moderation in its approach to politics. William Paley summarized in 1785 this minimalist sensibility, which has been part of liberal thought ever since:

[T]hose definitions of liberty ought to be rejected, which by making that essential to civil freedom which is unattainable in experience, inflame expectations that can never be gratified, and disturb the public content with complaints.⁹

The guiding theme in this conception is a certain skepticism. Implicit in Paley's remark is the fear that imagination will outstrip the realm of possibility, that a temptation internal to the desire for liberty might lure us towards unrealizable political projects. The result is a deep-seated fascination/revulsion with respect to the idea of liberty that has a long history within Anglophone political thought. Already in the 17th century, in his effort to explain the English Civil War, Hobbes was pointing an accusatory finger at radical notions of true republican freedom.¹⁰

⁸ For a recent treatment see Fawcett, Edmund, *Liberalism: The Life of an Idea*, Princeton, 2014.

⁹ Quoted in Skinner, Quentin, *Liberty before Liberalism*, Cambridge, 1998, 78.

¹⁰ Manent, Pierre, *An Intellectual History of Liberalism*, Princeton, 1994, 31.

Among other things, then, a liberal is a person who disciplines the imagination, striving to keep it within acceptable boundaries. Yet, as Paley's remark helps us see, in this task liberals face not one but two opponents. The first and most obvious are illiberal modes of thought that contest the status of liberty as a privileged concept: aristocracy, theocracy, totalitarianism, etc. The second opponent, more difficult to combat because harder to uncover, is the seductive aspect of liberty itself. Perhaps the true liberal is the one who knows how and when to temper his own concept of liberty. This is not always an easy task.

A straight line runs from the cautious and self-critical ethos that Paley defends to 20th century conceptualizations like Isaiah Berlin's distinction between negative and positive liberty.¹¹ Within this style of thought, the contours of political life are set by that which is probable, plausible, and common, rather than what is perfect, best, or rare ("expectations that can never be gratified"). For this reason it has been said that liberalism has learned the lesson of Machiavelli: unlike those philosophical radicals from Plato to Karl Marx, who supposedly sought after "vague and distant Utopian ideals,"¹² Locke, Adam Smith, and their successors constructed an image of society on the solid ground of rational self-interest.¹³

On the other hand, the need to balance this sense of realism with an affirmation of change and human inventiveness is a crucial point of tension at the heart of many of the great works of liberalism. To borrow a phrase from Alan Ryan, the liberal's desire to navigate the space between rearguard and vanguard is a defining trait.¹⁴ The simultaneous desires for order and novelty pull the liberal in opposite directions. Different thinkers navigate this core tension

¹¹ Berlin, Isaiah, "Two Concepts of Liberty," In *The Proper Study of Mankind*, Farrar, Straus and Giroux, 1998, 191-242.

¹² Popper, Karl, *The Open Society and Its Enemies: Hegel and Marx*, Vol. 2., Princeton, 1962, 367 n. 28.

¹³ See Bloom, Allan, "Commerce and Culture," In *Giants and Dwarfs: Essays, 1960-1990*, Simon and Schuster, 1990, 277-295.

¹⁴ Ryan, Alan, *The Making of Modern Liberalism*, Princeton, 2012, 17.

in different ways, but typically caution is the guiding impulse onto which the embrace of change is grafted as a necessary supplement. For instance, John Stuart Mill insisted, against religious dogmatists and conservatives, that a society that truly took appropriate “precautions” (one of his favorite words) against the fallibility of humankind must also be a progressive society, based on the acceptance of necessary change, experimentation, and merit.¹⁵ Therefore, Mill advocated expanding suffrage, but only if a method of “plural voting” would ensure that the better educated were given more weight at the ballot box as a counterweight to the passions of the lower classes.¹⁶ The balance between order and novelty must be constantly renegotiated, and if Mill’s solution in this instance appears shockingly undemocratic today, it only demonstrates how radically the balance can change over time. The possible and the impossible are not fixed in stone.

This vision implies first and foremost a high degree of political restraint; it accepts that the good things in life may require a certain political context, but it suggests that these goods are not really tied to the promise of political life as such. It also implies a minimalist attitude toward the possibilities of life with others, in the sense that there are broad limits to what we can properly expect from fellow citizens. Any attempt to push back these limits cuts against the grain of the social order. As Adam Smith put it, it is from self-interest rather than benevolence that the baker sells us our dinner.¹⁷ Smith’s unspoken corollary is that it is unrealistic to expect dinner from other people, or for other reasons. To understand politics, the liberal begins by asking where politics must cease. Tracing the limits of the realistic and the

¹⁵ Mill, John Stuart, *On Liberty*, In *Utilitarianism, On Liberty, and Considerations on Representative Government*, Ed. H.B. Acton, Everyman's Library, 1984, 85.

¹⁶ *Ibid.*, 311.

¹⁷ Smith, Adam, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Ed. A.S. Skinner and R.H. Campbell, Vol. 1, Liberty Classics, 1976, 26.

possible – whether we conceive of these limits as natural rights or simply as practical boundaries to feasible action – is therefore one of the central projects of liberalism, a task that lends an anti-utopian veneer to the family of ideas we recognize as liberal. However, as we will see, the relationship between liberal doctrine and utopian theory is more complicated than it appears at first glance.

Judith Shklar traces liberalism's attitude of cautious minimalism to Europe's experience in the wars of religion. When even the ideal of a seamless Christianity lost its hold in Europe, something like toleration of individual conscience became the *modus vivendi* required to avoid cycles of bloodshed. Hobbes, a proto-liberal in certain respects, signals this shift with his doctrine that all men are equal in their mortality and fear of violent death, aristocratic pretensions to superiority notwithstanding.¹⁸ Human equality rests not with the soul and its need for salvation, but with the body, its frailty and need for preservation. By protecting life and property, good government is built upon a solid foundation of natural equality, rather than the unstable and splintered aspirations citizens may have for salvation. Shklar calls this the "liberalism of fear" for the reason that fear of suffering tends to concentrate the mind on what really matters.¹⁹ This liberalism is "not a [comprehensive] philosophy of life." In fact, it "does not have any particular positive doctrine"²⁰ about how we should live, beyond lending its support to the institutions that are required to engender individual freedom and restrain the incidence of coercion within society.

This naturalistic focus on the desire for self-preservation, not simply as a brute fact of life but as the foundational source of right and political virtue, is at the heart of liberalism's

¹⁸ Bloom, Allan, "Commerce and Culture," In *Giants and Dwarfs*, Simon and Schuster, 1990, 277-295.

¹⁹ Shklar, Judith, "The Liberalism of Fear," In *Liberalism and the Moral Life*, Ed. Nancy L. Rosenblum, Harvard, 1989.

²⁰ Ibid, 21.

supposed anti-utopian realism; it remains more firmly embedded in the genetic makeup of liberal thought than is sometimes recognized.²¹ Adam Smith took it for granted that death is the greatest evil one person can inflict upon another (rather than, say, dishonor, isolation, or prolonged suffering),²² and a good deal of his ethical justification of commercial society stands or falls with this proposition. F.A. Hayek, who claimed to carry Smith's legacy into the 20th century, once wrote that the modern occurrence of exponential population growth was, from one point of view, a sufficient ethical justification of liberal capitalism.²³ Population growth is, after all, simply self-preservation maximized. This argument can be carried even farther. Thus we should not find it surprising that the quest for immortality and a scientific "cure for death" has become a prominent fad in some quarters of contemporary libertarianism.²⁴ If mere life is the foundation of the good, a ragged line runs from the preservation of life, to the embrace of population growth, to the quest for universal immortality. What began as a regulative principle asserting the equal status of each human life against arbitrary coercion slides toward a more radical social vision; it can easily end by embracing a complicated set of assumptions about the benign nature of endless economic and technological development.

This slide illustrates the way that the ostensibly moderate claims at the heart of liberal doctrine can become radicalized when their logic is pursued to its farthest reaches. In this case, the proposed limit – e.g. demand for self-preservation – eventually shows itself to be unlimited. More prosaically, we can say that supposedly "formal" limitations are usually only formal in relation to a particular set of problems or in a particular context. When viewed in isolation, or

²¹ Cropsey, Joseph. *Polity and Economy: With Further Thoughts on the Principles of Adam Smith*, St. Augustine's, 2001, x.

²² Smith, Adam, *The Theory of Moral Sentiments*, Ed. D.D. Raphael and A.L. Macfie, Liberty Fund, 1984, 84.

²³ F.A. Hayek, *The Fatal Conceit*, Ch. 8 "The Extended Order and Population Growth."

²⁴ See Bailey, Ronald. "Eternal Youth For All: Why I Want to Live Forever and You Should Too," *Reason* Mar. 2015: 22-30; Gray, John, *Immortalization Commission: Science and the Strange Quest to Cheat Death*, Faber And Faber, 2012.

transferred to an inappropriate set of questions, the merely formal will slide more and more toward a substantive vision. This has always been the accusation leveled by critics of the liberal claim to moderation, from conservatives like Burke to radicals like Marx. On this reading, liberalism harbors a potential for revolution within itself, for good or ill.

Whatever stance one takes on the true nature of liberal *doxa*, it is not unimportant that its openly avowed program has in fact been consistently minimalist. At the risk of personifying a family of thought, it must be said that liberalism's self-understanding, from its rhetoric to its embrace of "formal" rights and self-interest, has always insisted on its own essential moderation, and this very insistence has frequently had a moderating influence. Liberalism claims to offer social change without revolution, and flourishing without utopia. Contra Burke and Marx, I would argue that liberals have pursued these goals with as much success as we have any right to expect over the better part of the last two centuries.

2. Liberalism's Utopian Turn

Starting in the 1970s, however, this traditional posture begins to change. In the place of self-professed minimalism, liberal thought begins to display a surprising transformation that we can see, first and foremost, in the growing willingness of liberal theorists to appropriate and work with the concept of utopia – precisely the sort of idea that early liberals strove to keep at bay. The resuscitation of utopia as a concept that can be defined from a liberal standpoint, and, indeed, as an essential component of a complete liberal philosophy, is only the most surprising incidence of a more thoroughgoing change. Late 20th century liberals increasingly come to recognize the value of high expectations: for global justice, for individual rights, for personal flourishing and economic growth. More and more, liberalism becomes an expansive vision of social order.

The outstanding example here is Robert Nozick's 1975 book *Anarchy, State, and Utopia*, which envisions "a framework for utopia" in the form of a "minimal state" that "grows spontaneously from the individual choices of many people over a long period of time."²⁵ In Nozick's hands, liberal theory has moved far beyond the mere *de facto* concern with freedom and limits to coercion and has become a search for the best regime, i.e. a utopia.

Minimalist liberals tended to argue that some mixture of liberal rights and markets were the best society *in practice*, given the fallible and fractious nature of humankind, what Kant calls our "unsocial sociability."²⁶ This line of argument was never fully satisfactory. The *de facto* defense already seems to concede the moral high ground by implying that liberalism is a second-best philosophy for beings without virtue. More importantly, it leaves considerable room for debate about whether new institutions or historical changes make different regimes possible. After Nozick, however, a recognizable shift in strategy occurs. We witness, as one of his current disciples describes the project, a new propensity to defend liberalism as the best society *conceivable*, that is, as inherently the most desirable sort of life for everyone concerned in all situations imaginable.²⁷ For Nozick, the right to individual choice is not simply one instance of the good, to be prized and balanced against others, but a foundational right, a centerpiece that supports a whole view of society, in a manner not unlike the transformation we witnessed earlier with regard to the right of self-preservation.

Nozick offers the most clear-cut example of an emerging, more assertive liberal ethos, but other thinkers made similar moves at roughly the same time. Friedrich Hayek, who

²⁵ It is questionable whether Nozick is properly called a liberal, and not a libertarian or an anarcho-capitalist. However, for my purposes, his embrace of liberal themes like individualism and property rights, combined with his connections to thinkers like Locke, is enough to place Nozick in the liberal camp. See Nozick, Robert, *Anarchy, State, and Utopia*, Basic Books, 1974, 332-3.

²⁶ Kant, Immanuel, *Basic Writings of Kant*, Ed. Allen Wood, Modern Library, 2001, 122.

²⁷ See Brennan, Jason, *Why Not Capitalism?* Routledge, 2014.

received his Nobel Prize in 1974,²⁸ also began to integrate explicitly utopian speculations into his economic and political theories at about this time.²⁹ Even the ever-cautious John Rawls felt compelled to add the idea of a “realistic utopia” to his conceptual vocabulary when he began to expand and defend his work from the 1970s.³⁰

This reemergence of utopia is symptomatic. To wear the mantle of utopia is to lay claim to nothing less than the fullness of truth and justice; it entails a shift in emphasis away from a “defensive” mentality – a liberalism motivated to define itself in a negative way, against the injustices of, say, tyranny or theocracy – toward an “assertive” liberalism that feels compelled to stake out the continent of justice in advance, regardless of its opponent.³¹ The “muscular” neoliberalism that came to the fore in the 1980s and 90s is one outgrowth of intellectual trends that first coalesced within the English speaking world in the 1970s (although it is always possible to find earlier antecedents).

Why the shift should take place at this moment is not entirely clear. The Cold War had for years been at a comparatively low boil, and Western economies had just completed twenty-five years of growth that Hobsbawm calls the “golden age” of capitalism.³² It is not uncommon today for political commentators to remember the 1970s with a heavy dose of nostalgia, seeing it as a time when foreign policy was clearly defined and middle-class wages still reliably rose

²⁸ In truth, the “Nobel Prize in Economics” is a misnomer. The actual title of the award is the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. It was not established until 1968.

²⁹ Hayek, Friedrich, *Law, Legislation and Liberty*, 3 Vols., Routledge, 1973.

³⁰ Rawls, John, *The Law of People*, Harvard, 1999.

³¹ Even the post-war German “ordoliberalism” that Foucault points to as the turning point in 20th century liberalism remains defensive in nature, defined against communism and fascism, as Foucault surely understood. Foucault, Michel, *The Birth of Biopolitics*, Trans. Graham Burchell, Palgrave, 2008.

³² Hobsbawm, Eric, *The Age of Extremes: A History of the World, 1914-1991*, Vintage, 1994, 223.

with productivity gains.³³ What, then, accounts for the palpable sense of urgency in writings that date from around this time?

The truth is that only after a massive failure of historical sense can one view this period with nostalgic self-assurance. The whole era is virtually defined by its association with a series of epochal stalemates – between communism and capitalism, East and West, democracy and dictatorship. It was also marked by an energy crisis and economic “stagflation” that seemed to indicate the limits of Keynesian policy fixes. These major historical crises are paralleled by a litany of minor impasses and crises whose meaning is no less troubling for being ambiguous. The blank round fired by the *soixante-huitards* in France, Britain’s sterling crisis and IMF bailout in 1976, America’s debacle in Vietnam and the ongoing backlash against the Civil Rights Movement³⁴ – the list is seemingly endless. In the light of the pervasive uncertainty of the 1970s, minimalist liberalism, with its continual appeals to caution and dislike of speculative justifications, can look positively anemic.

There is some historical precedent for this situation. The history of liberal thought is punctuated by a series of crises of confidence followed by doctrinal adjustments and reassertions. According to Pierre Manent, 1789 forms the major dividing line,³⁵ but to this we could easily add 1848 and its aftermath, the 1930s,³⁶ and the 1970s. Each period calls forth distinct permutations of older liberal beliefs; in the 30s, the novel doctrine was Keynesianism; in the 70s, it was a new neoliberal utopianism.

³³Sandbrook, Dominic, "Why Does the 1970s Get Painted as Such a Bad Decade?" *BBC News*, <http://www.bbc.com/news/magazine-17703483>, accessed 7/9/15.

³⁴ McAdam, Doug, and Karina Kloos, *Deeply Divided: Racial Politics and Social Movements in Postwar America*, Oxford, 2014.

³⁵ Manent, Pierre, *An Intellectual History of Liberalism*, Princeton, 1994, xvii.

³⁶ Mazower, Mark, *Dark Continent: Europe's Twentieth Century*, Vintage, 1999, 104.

This is all to say that in order to account for the advent of utopian neoliberalism, one has to understand the broader intellectual currents that operate during eras of perceived stalemate. Generally speaking, the prospect of a stalemate will generate two potential responses: it can either be avoided altogether, or it can be overcome. Thus we see at this time a proliferation of what might be called avoidance strategies, styles of thought that attempt to evade some particular deadlock, either by redefining the issues in contention or by shifting expectations. If history appears to have reached an intractable dead-end, then it may be presumed that the problem lies in the modes of interpretation that shape historical experience. Claims have been made on behalf of history that simply cannot be redeemed. For example, it has been argued that the desire for continuous and unambiguous manifestations of progress or increasing liberty, traits that seem to be deeply embedded in Western democracies, cannot but be disappointed.³⁷ The task then becomes the construction of a more realistic outlook, or at least one less prone to disappointment.

The attractiveness of avoidance strategies led to the prevalence in the late 20th century of what Andrew Gamble calls “endism,” i.e. philosophies that pronounce (or appear to pronounce) the end of institutions and conceptions formerly taken for granted as the solid ground of political life.³⁸ So, for example, we see the proclamation of the end of historical “meta-narratives” – which, if true, would dissolve the entire set of troublesome political binaries at once – the death of the author, the dissolution of the subject, the eclipse of man, the end of humanism, the end of modernity, etc.³⁹ Nietzsche’s influence here is obvious, as is a

³⁷ Gray, John, *Enlightenment's Wake: Politics and Culture at the Close of the Modern Age*, Routledge, 1995.

³⁸ Gamble, Andrew, *Politics and Fate*, Cambridge, Polity, 2000.

³⁹ Examples of this phenomenon are abundant. See Foucault, Michel, *The Order of Things*, Pantheon, 1971; Lyotard, Jean-François, *The Postmodern Condition*, Minnesota, 1984; Latour, Bruno, *We Have Never Been Modern*, Harvard, 1993.

certain Marxist anticipation of transitional ruptures in history. Of course, these examples come largely from French theorists on the Left, but the essential impulse is more diffuse.⁴⁰

On the other hand, a stalemate can be overcome. Disputants can embrace the terms of the deadlock as essentially correct and reassert or refine their initial position, in essence claiming that what appears to be an impasse is merely a temporary roadblock. This is essentially the route that liberalism takes in the 1970s. It is mostly a phenomenon within English speaking countries, but not exclusively; Habermas' project of carrying out modernity's "unfinished" potential, for instance, also goes in this direction.⁴¹ Even before Rawls' 1971 *A Theory of Justice*, there is a renaissance of attempts to ground encompassing visions of liberal society, more detailed and far more thorough than anything since the work of Mill or Sidgwick a century earlier. Hayek calls his own "urgently needed" philosophical project a "comprehensive restatement and revindication" of classical liberalism.⁴² But the context of this liberal renaissance, which is essentially one of reassertion, has a natural tendency to make claims more expansive. In the past, liberals had often been their own best critics, but in the last decades of the 20th century something goes awry. The incorporation of a utopian longing into liberalism marks this shift.

3. The Case of F.A. Hayek: A Skeptical Utopian?

It is for just this reason that F.A. Hayek stands out as such an intriguing figure. Hayek is widely regarded as *the* dominant voice in the late 20th century resurgence of classical liberalism, both as an economic doctrine and as a pervasive political ideology.⁴³ Whereas interest in the work of Rawls or Nozick is found mostly within the academy, Hayek's influence

⁴⁰ See, for example, Lasch, Christopher, *The True and Only Heaven: Progress and Its Critics*, Norton, 1991.

⁴¹ Habermas, Jürgen, "Modernity versus Postmodernity," *New German Critique* 22 (1981): 3-14.

⁴² Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 49.

⁴³ Gray, John, *Hayek on Liberty*, Blackwell, 1984.

extends across the social sciences, through political discourse, and into popular culture. His 1944 polemic against state intervention in the economy, *The Road to Serfdom*, was issued in condensed form by *Reader's Digest*, and was distributed by General Motors as a graphic novel, in which “readers” are warned against the perils of utopian philosophy via some rather unambiguous drawings of bald men in SS armbands.⁴⁴ Still, one should not be too flippant about the many vulgarizations of Hayek's work. His conception of the market as a device for distributing information, and of society as an evolving “spontaneous order,” were in some respects decades ahead of their time, foreshadowing developments in systems theory and the science of complexity. Moreover, Hayek was prescient about the systematic failures that would result from bureaucratic economic management. In this sense, he is one of the consummate realists of the last century.

Paradoxically, Hayek also came quite openly to regard concepts like utopia and ideology as indispensable elements of a functioning liberal society, warning against that “spurious realism” which sees the existing world as the only one possible.⁴⁵ As one of his more perceptive biographers has put it:

Hayek was a utopian philosopher. He ultimately looked forward to a ‘universal order of peace.’ This would be a utopian world that would unite all mankind into one society....He sought a world in which as many people as possible would be as wealthy as possible...Such a society would secure individual freedom and group order and would have the most advanced technology.⁴⁶

Thus a characteristic tension that liberal thought faces – the need to balance order and the embrace of novelty within a framework of individual liberty – reaches a fever-pitch in Hayek's

⁴⁴ See “The Road to Serfdom.” *Mises Institute*, <https://mises.org/sites/default/files/Road%20to%20Serfdom%20in%20Cartoons.pdf>, accessed June 15, 2015.

⁴⁵ Hayek, Friedrich, *Law, Legislation and Liberty*, 3 Vols., Routledge, 1973, 60.

⁴⁶ Ebenstein, Alan O., *Friedrich Hayek: A Biography*, Palgrave, 2001, 4.

writings. To study this interplay between utopia and anti-utopia within his thought is perhaps to appreciate an ambiguity within contemporary liberalism writ large. His final vision of a single, cosmopolitan society, united by universal law, characterized by constant growth and technological innovation – and all this accomplished more or less peacefully – is as radical as anything Saint-Simon or Marx ever penned. Furthermore, the image of a techno-cosmopolitan utopia is not merely a temperamental idiosyncrasy on Hayek's part, as much as it is an intensification of some notions that had long been latent in liberal thought, with its proscriptive universalism and Whiggish inclination to read history as a story of economic growth.

"Our faith in freedom," Hayek declares, "does not rest on the foreseeable results in particular circumstances but on the belief that it will, on balance, release more forces for good than bad."⁴⁷ But is there not something problematic in this easy assurance that the dilemmas of the present will, on balance, be resolved in the future? Carl Schmitt puts the question in its pure form, when, in a critique designed to encompass both messianic Marxism and utopian liberalism, he insists that:

The acute question to pose is upon whom will fall the frightening power implied in a world-embracing economic and technical organization. This question can by no means be dismissed in the belief that everything would then function automatically, that things would administer themselves, and that a government by people over people would be superfluous because human beings would be absolutely free. For what would they be free? This can be answered by optimistic or pessimistic conjectures, all of which finally lead to an anthropological profession of faith.⁴⁸

Schmitt challenges Hayek on two key points: first, he claims that the skeptical sensibility of liberalism is incompatible with its utopian longings; second, he denies that a utopian liberalism

⁴⁷ Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 83.

⁴⁸ Schmitt, Carl, *The Concept of the Political*, Chicago, 1997, 57.

is any less destructive than other forms of utopian belief. These are the challenges to which Hayek must respond.

In the rest of this chapter I examine the motivation behind and consequences of Hayek's embrace of a style of liberal utopianism that has become particularly prominent in recent decades. I argue that, for Hayek, the concept of a utopia emerges as the answer to a specific question: what cements a complex social order together? This question has been at the very heart of modern political thought at least since Hobbes and Rousseau. However, its urgency is exacerbated for Hayek because his work systematically undermines three traditional answers that Western political thought has given to questions about the sources of social order, namely, divine providence, the political traits of human nature (e.g. Aristotle's *zoon politikon*), or the power of human reason to structure the world.

These three traditional answers still exert a preponderate influence on political thought. The continuing presence of religious fundamentalism needs, I think, little in the way of explication. As for arguments based on human nature, it remains true that communitarians, civic-republicans, admirers of Tocqueville, and Durkheimian sociologists on all ends of the political spectrum carry on the Aristotelian tradition,⁴⁹ whereas defenders of capitalism are still prone to base their arguments on an ahistorical notion of self-interest.⁵⁰ Conceptions of social order based on reason also remain widespread, although they tend to go unrecognized as such. On the Left, writers continue to enlist the powers of human reason for the task of a conscious restructuring of society.⁵¹ Alternatively, proponents of new forms of technocratic politics seek

⁴⁹ Etzioni, Amitai, *The Spirit of Community: The Reinvention of American Society*, Simon & Schuster, 1994; Sandel, Michael, *Democracy's Discontent: America in Search of a Public Philosophy*, Harvard, 1998.

⁵⁰ See, for example, Meltzer, Allan, *Why Capitalism?*, Oxford, 2012.

⁵¹ "[W]e are collectively in a potential position to change the laws of social reproduction and capital accumulation...through conscious action." Harvey, David, *The Enigma of Capital: And the Crises of Capitalism*, Oxford, 2010, 155. See also Cohen, G. A. *Why Not Socialism?* Princeton, 2009, 57.

to free expert rationality from democratic pressures through what are sometimes called “non-majoritarian” institutions (a truly Orwellian euphemism).⁵² In short, all the old answers to Hayek’s basic question – what holds a complex society together? – are very much alive.

By contrast, Hayek places a thoroughgoing epistemological skepticism at the center of his work. Rather than beginning from what we know, he starts from a Kantian insistence on the limits to human knowledge, with the result that the traditional answers no longer appear persuasive.⁵³ Hayek’s skepticism is anti-foundational in a particular sense: if the basic feature of the human condition is overwhelming ignorance and uncertainty, then it becomes impossible to ground a theory of social order on the firm knowledge of something outside of society, e.g. nature or reason. The factors that generate social stability must be immanent. Emergent order is always thoroughly bound up in the social process itself.

We can divide Hayek’s arguments for skepticism into three categories: ontological, psychological, and sociological. On the ontological level, Hayek posits a condition of radical human finitude, extrapolating from what he sees as the individualism implicit in Western styles of thought, especially Christianity, with its conception of the personal soul and insistence on the fallibility of human reason.⁵⁴ Hayek strips these Christian conceptions of religious content. Instead, he argues, the tradition demonstrates that social theory must begin with a conception of the faculties of single individuals, for the reason that, whatever larger processes they may participate in, it is single individuals that think, feel, and actually have the experiences of which theory is an interpretation. But no human mind, he continues, can ever achieve an exhaustive knowledge of its own deepest workings, or even a comprehensive overview of its own cultural

⁵² Mair, Peter, *Ruling the Void: The Hollowing of Western Democracy*, Verso, 2013.

⁵³ Gray, John, *Hayek on Liberty*, Blackwell, 1984, 4-8.

⁵⁴ Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 120; Hayek, Friedrich, *The Fatal Conceit*, Chicago, 1989, Ch. 9 “Religion and the Guardians of Tradition.”

tradition, let alone of the universe at large. Human life is characterized by extreme fragility and dependence, hence Hayek's fondness for words like "humility" and "submission."⁵⁵

His psychological arguments are mostly found in the underappreciated book *The Sensory Order*.⁵⁶ It is possible to view his psychology as an attempt at a "scientific" explanation of his ontological standpoint. Hayek argues against the empiricists and positivists who inhabited the Vienna of his youth that the human mind is built up, not strictly through experience or sense data, but through a hierarchy of classifications or rules that partially precede all individual experience, forming an evolving cognitive map that allows for the pattern recognition which composes our conscious life.⁵⁷ As the foundation for consciousness, not all of these rules can themselves be conscious, although some may be. Some rules or classificatory schemes are so basic as to be part of the biological makeup of the brain, while others are unconscious historical or cultural additions; this is the case even if the divide between biology and culture is difficult to draw. Recognitions of patterns are interpretations of the world, and what we experience is this world of historically evolving interpretations. Much happens cognitively below the level of consciousness, tacitly embedded in habits and practices. "Not all knowledge in this sense is part of our intellect, nor is our intellect the whole of our knowledge."⁵⁸

As Alan Ebenstein explains, "His work here [is]...in the tradition of Kant, who held that sensory experience occurs in an organism rather than possessing separate ontological status."⁵⁹ For Hayek, a theory and critique of cognition must precede empirical observation,

⁵⁵ "[T]he fundamental attitude of true individualism is one of humility..." Hayek, Friedrich, *Individualism: True and False*, Chicago, 32.

⁵⁶ Hayek, Friedrich, *The Sensory Order: An Inquiry into the Foundations of Theoretical Psychology*, Chicago, 1952.

⁵⁷ Caldwell, Bruce, *Hayek's Challenge: An Intellectual Biography of F.A. Hayek*, Chicago, 2004, 346, 431.

⁵⁸ Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 77.

⁵⁹ Ebenstein, Alan, *Friedrich Hayek: A Biography*, Palgrave, 2001, 150.

because essential features of our world, in this case the priority of individuals and their conceptual maps, are unobservable.⁶⁰ In other words, individual experience is “really real,” and everything else is a provisional interpretation, lacking full ontological status.⁶¹ On the other hand, Hayek also adds a distinctly post-Kantian emphasis on experimentation and social evolution, a trend that becomes increasingly prominent in his later writings.⁶² The evolutionary context of competition for survival weeds out some cultural traditions and allows others to spread, setting the ground for an eventual convergence around the most successful institutions.⁶³

Hayek’s sociology builds on the previous claims. For him, the social order is composed of countless instances of these fragile, finite beings, none of whom have anything like a conscious understanding of the entire society.⁶⁴ The key question is: how is it possible to sustain a complex social order under these restrictive conditions? Hayek’s answer is that institutions must evolve to circulate partial knowledge and coordinate actions. Institutions arise that bring our disparate interpretations of the world into a loose alignment. Examples include the common law, language, traditions of moral and aesthetic judgment⁶⁵ – and, of course, the market.⁶⁶ The historical emergence and steady adaptation of these institutions is what Hayek calls the “spontaneous order” or, more grandiosely, the “game of catallaxy.”⁶⁷ Only by allowing these impersonal institutions to function, and thereby abandoning the false dream of

⁶⁰ Ibid., 152.

⁶¹ Hayek, Friedrich, “The Facts of the Social Sciences,” In *Individualism and Economic Order*, Chicago, 1948, 59.

⁶² Hayek, Friedrich, *Law, Legislation and Liberty*, 3 Vols., Routledge, 1973, Epilogue - “The Three Sources of Human Values.”

⁶³ Ibid., 10.

⁶⁴ Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 50.

⁶⁵ Ibid., 80.

⁶⁶ Ibid., 216-217.

⁶⁷ Hayek, Friedrich, *Law, Legislation and Liberty*, 3 Vols, Routledge, 1973, 275.

controlling and guiding social development, can a complex society subsist. On Hayek's reading, the problem with traditional kinds of utopian thought is that they seek a final vision that methodically restricts the free emergence of these self-coordinating institutions, of which the market is only one.

4. Problems of Spontaneous Evolution: The Plastic and the Brittle

Roland Kley nicely redescribes Hayek's question as: how much plasticity exists in the world?⁶⁸ This is half right. Hayek is fascinated by the question of plasticity and change. What are the zones of novelty and stability in the world? How much freedom do humans have to alter the conditions of their existence? But this line of questioning necessarily attunes Hayek to a second set of issues involving the limits and boundaries of plasticity. What happens when we approach those limits and how can we know them? "Though we cannot see in the dark," he writes, "we must be able to trace the limits of the dark areas."⁶⁹ If there are limits to plasticity, as Hayek believes, then the world may be both dynamically plastic and very brittle, as complex adaptive systems crumble into disorder when a limit is approached. The traditional liberal quest to trace the limits of the possible is radicalized in Hayek's hands because it becomes the basis for a full-fledged evolutionary ontology. The final result is that political thought, which does not directly grasp the problem of limits, becomes parasitic on a speculative theory of evolution, which does.

How much plasticity is there? Hayek's position on this question is more nuanced than it appears. On the one hand, Hayek does not foresee any real boundaries to the growth of human economic and cognitive powers. No obvious "external" limits constrain evolution in advance.

⁶⁸ Kley, Roland, *Hayek's Social and Political Thought*, Oxford, 1994, 13.

⁶⁹ Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 74.

For example, Hayek believes that economic crises arise almost exclusively out of misguided political interventions into the economic sphere, rather than volatility inherent in the market order itself.⁷⁰ He also displays none of the pessimism of the classical economists that economic growth is bound to halt in a steady state due to natural limitations, and he seems strangely blind to the danger that spontaneous capitalism on a global scale might generate an ecological crisis whose solution lies beyond its adaptive capacity.⁷¹ For him, these are practical problems to be addressed as necessary through experimentation, not deep problems about the character of social order or its relations to nature.

On the other hand, even if the outcome of the developmental tendencies at work in society is potentially unlimited, the *formal structure* of the evolutionary process itself contains certain “internal” limits on the world’s plasticity. Hayek’s world is also brittle. Finite knowledge means that we cannot directly judge what is and is not possible, but we can say certain things about the typical manner in which cumulative change occurs, and such reflection upon the structure of change gives us a second-order theory of possibility. A theory of the modality of change – a critique of evolution – is logically prior to the observation of “really existing” societies.⁷²

Human action takes place within a context always already defined by complex adaptive systems. Hayek observes that “we can never produce a crystal...by placing the individual atoms in such a position that they will form the lattice of a crystal...but we can create the

⁷⁰ Gray, John, *Hayek on Liberty*, Blackwell, 1984, 92.

⁷¹ Connolly, William E., *The Fragility of Things: Self-organizing Processes, Neoliberal Fantasies, and Democratic Activism*, Duke, 2013, Ch. 2 “Hayek, Neoliberalism, Freedom.”

⁷² This helps make sense of Hayek’s haphazard use of the historical record. In his many volumes of writings, certain epochs, like ancient Greece or 18th century England, loom large; by contrast, other periods are absent, notably the entire span of time in between the fall of Rome and the rise of Cartesian philosophy in the 16th century. This is because not history, but the theory of historical change is primary, and some eras illustrate this better than others.

conditions in which they will arrange themselves in such a manner.”⁷³ The key question to ask about any complex system is what scenario is required before the constituent elements can arrange themselves. For example, Hayek maintains that, under current conditions, the adaptation of institutions depends on a steady flow of experimentation and fortunate accidents; as a result, any system of social order that attempts to minimize or eliminate unplanned occurrences is less likely to persist over the long-term because the system thereby restricts its own adaptive capacity.⁷⁴ In the same way that trying to divide a number by zero makes no sense according to the rules that govern mathematics – that is a limit situation that will ruin an otherwise orderly equation – there are things that we can imagine on a conceptual level that are constitutively impossible. Imagination is apt to exceed the bounds of possibility because it is not cognizant of the formal limitations that compose the internal horizon of evolution. This has two major implications.

First, some problems are insurmountable or insoluble. No degree of experimentation or innovation will overcome them. To cite the most well-known example, Hayek believes that it is impossible for a central planning agency to aggregate all the relevant information regarding an economy, since economic information only emerges through the unplanned actions and experiments of countless actors, many of whom act based on unconscious knowledge. Information of this sort is inherently partial and incapable of being formalized. An attempt to centralize or structure the social process can only degrade the complex organizations that have grown up to manage the tricky problem of coordinating information (prices, habits of interpersonal trust, etc.).

⁷³ Hayek, Friedrich, *Law, Legislation and Liberty*, 3 Vols., Routledge, 1973, 38.

⁷⁴ Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 81.

Second, even in light of the extraordinary plasticity that evolution makes possible, certain problems may only have a small set of solutions, sometimes only a single solution, and this may be the case even if we can imagine other possibilities or cannot fully understand what accounts for the necessity:

There may exist just one way to satisfy certain requirements for forming [a complex social order] – just as the development of wings is apparently the only way in which organisms can become able to fly (the wings of insects, birds and bats have quite different genetic origins). There may also be fundamentally only one way to develop a phonetic language, so that the existence of certain common attributes possessed by all languages does not by itself show that they must be due to innate qualities.⁷⁵

This argument is at once ontological and political. Contrary to the Cartesian perspective of someone like Noam Chomsky, grammatical commonalities between languages may not imply a universal structure in the mind that can be mapped out.⁷⁶ We may never understand why wings are necessary for flight or what accounts for the commonalities between languages. Until proven otherwise, we should assume these things are functionally indispensable. From a Hayekian perspective, an overestimation of rationality is the common trait that unites Chomsky's linguistic program with his version of radical politics. For Hayek, it may simply be the case that there is no alternative, even if we can imagine that another world is possible. Imagination must be disciplined, prevented from overrunning the bounds of possibility and disrupting the evolutionary process.

It may be asked, is Hayek's skepticism not just a little self-serving, in that it seems to discredit his opponents as it spares his favored political vision? How can a self-professed skeptic claim to trace the limits of the possible? Does he not, despite himself, adopt a synoptic

⁷⁵ Hayek, Friedrich, *The Fatal Conceit*, Chicago, 1989, 17.

⁷⁶ Chomsky, Noam, *Cartesian Linguistics: A Chapter in the History of Rationalist Thought*, Harper & Row, 1966.

view of how impersonal markets work? These are important questions that rightly gesture at the strange mixture of doubt and dogmatism in Hayek's political writings. However, I want to resist the idea that Hayek is crudely ideological or contradictory, because I think this prevents us from appreciating his importance. His stance can, I think, be clarified by a simple analogy.

Consider a computer algorithm that produces a random number every ten seconds. On the one hand, given its random nature, the program is completely unpredictable. The wise stance is skepticism about the next round of change. On the other hand, we have a kind of absolute and unerring certainty, namely, the purely formal certainty that the outcome is unpredictable. Whatever else we know, we are certain that any attempt to predict or constrain the process is a fool's errand.

Hayek appears to believe that social change is similar to the computer algorithm. My analogy is not perfect, since he does not think social evolution is purely random, but it is close enough to show the basic tendency of his thought. Unlike more moderate liberals, who are usually not unamenable to compromise or doctrinal inconsistencies for the sake of prudence, Hayek's certainty about the modality of change means that there is a limit beyond which political compromise is impossible.

5. Modern Utopias: Hayek on the Revolt of the Intellectuals

Hayek's concern with utopia emerges out of this need to discipline or harness the imagination to render it compatible with the spontaneous evolution of social order. He writes,

Utopia, like ideology, is a bad word today; and it is true that most utopias aim at radically redesigning society and suffer from internal contradictions...But an ideal picture of society is...the chief contribution that science can make to the solution of the problems of practical policy.⁷⁷

⁷⁷ Hayek, Friedrich, *Law, Legislation and Liberty*, 3 Vols., Routledge, 1973, 62.

Utopia is intimately related to practical policy and governability for Hayek. The true scientist or philosopher is known, not by his lack of utopian vision, but by his ability to distinguish between contradictory and harmful utopias and those “ideal pictures” that are, if not “true” in any straightforward sense, at least politically valuable to the liberal polity. In essence, Hayek believes that his conception of evolution as unpredictable in content yet with an impersonal structure (only some aspect of which can be known) offers a vantage point from which to evaluate the feasibility of proposed utopias.

He first addresses the topic of utopia in a 1949 article “The Intellectuals and Socialism.”⁷⁸ Here Hayek argues that modernity has given rise to complex societies whose survival depends on the continuous dissemination of vast amounts of information, and that this requires dense communication networks, literacy, and a widely intelligible conceptual vocabulary (what Gellner later calls “universal high culture”).⁷⁹ Such a situation necessarily engenders a broad new class of intellectuals – “professional secondhand dealers in ideas”⁸⁰ – who lack the creative insight of the true scientist or philosopher, but who serve to disperse ideas throughout the wider community, allowing our joint interpretations and perceptions to adjust as society evolves. Intellectuals, Hayek writes, are the “organs which modern society has developed for spreading knowledge and ideas, and it is their convictions and opinions which operate as the sieve through which all new conceptions must pass before they can reach the masses.”⁸¹ The intellectual occupies a strategic position in the contemporary world,

⁷⁸ Hayek, Friedrich, “The Intellectuals and Socialism,” *The University of Chicago Law Review*, Spring (1949): 417-33.

⁷⁹ Gellner, Ernest, *Nations and Nationalism*, Cornell, 1983.

⁸⁰ Hayek, Friedrich, “The Intellectuals and Socialism,” *The University of Chicago Law Review*, Spring (1949): 471.

⁸¹ *Ibid.*, 419.

mediating between conceptual innovation and public opinion, between economic advance and political stability.

However, this arrangement poses a serious problem for the Western combination of free markets and liberal democracy, because, Hayek claims, intellectuals as a type are too often tempted by romantic or utopian ideologies, particularly socialism. In short, they are apt to popularize the “wrong” ideas, and this problem emerges from the very nature of the role they are encouraged to play: sensitivity to exciting thoughts and flights of imagination are the grease in the wheels of a modern economy. According to Hayek, intellectuals as individuals are usually honest, and not infrequently people of good will, but they also lack the sense of caution and nuance that comes with deep expertise in a single field.⁸² In short, they tend to overestimate the power of abstract reason and are prone to that greatest of all sins: pride. The socialist vision of remaking society based on reason and conscious control has a natural appeal to such people. And where the intellectuals go, the rest of the political class eventually follows. To forestall a descent into socialism, one first has to capture the aspirations of the intellectuals. This is precisely what minimalist liberalism fails to do. Hayek’s diagnosis is that a revamped modern liberalism must incorporate a visionary social philosophy:

The ability to criticize accepted views, to explore new vistas and to experiment with new conceptions, provides the atmosphere without which the intellectual cannot breathe. A cause which offers no scope for these traits can have no support from him and is thereby doomed in any society which, like ours, rests on his services... What we lack is a liberal Utopia, a program which seems neither a mere defense of things as they are nor a diluted kind of socialism, but a truly liberal radicalism which does not spare the susceptibilities of the mighty (including the trade unions), which is not too severely practical, and which does not confine itself to what appears today as politically possible.⁸³

⁸² Ibid., 420.

⁸³ Ibid., 432.

From Hayek's perspective, it is not enough to debate socialists on the level of factual argument because only a few highly trained experts have the wherewithal to parse complicated economic data. What liberalism needs is an aesthetic reformation. Without vision the people may not perish, but the intellectuals will revolt, and the final result may be more or less the same. Instead, one must craft a formulation of liberalism that has the instinctual appeal of novelty and can be used for the intellectual's favorite pastime of social critique. Under current conditions, the only viable liberalism is a utopian liberalism.

On the surface, Hayek's critique of the intellectual is rather unremarkable, in that it reiterates the old worries of Burke and Tocqueville about the role of "the writer" as a precipitating cause of the French Revolution.⁸⁴ Indeed, books claiming to expose the conceits of "intellectuals" have long since become a cottage industry within conservative literature.⁸⁵ Novel in Hayek's version of this argument, however, is his suggestion that the problem is inherent in the configuration of complex societies and cannot be avoided. Intellectuals are part of the formal structure of social change, and, as a class, they are both functionally indispensable and uniquely destructive.

By contrast, Burke and Tocqueville still believe in the possibility of what are essentially political solutions to the problems raised by unruly intellectuals. Burke merely attempts to persuade his readers that respect for traditional norms and constitutional reform are the surest ways to progress.⁸⁶ Tocqueville advocates liberty as a palliative. He reasons that, since it was a lack of liberty that pushed the *philosophes* into quixotic political speculation in the first place,

⁸⁴ Burke, Edmund, *Reflections on the Revolution in France*, Ed. J.G.A. Pocock, Hackett, 1987; Schama, Simon, *Citizens: A Chronicle of the French Revolution*, Knopf, 1989, 174-182.

⁸⁵ For some representative samples, see Aron, Raymond, *The Opium of the Intellectuals*, Norton, 1962; Conquest, Robert, *Reflections on a Ravaged Century*, Norton, 2000; Sowell, Thomas, *Intellectuals and Society*, Basic, 2009.

⁸⁶ Burke, Edmund, *Reflections on the Revolution in France*, Ed. J.G.A. Pocock, Hackett, 1987, 32.

the experience of true political liberty, with all its rights and responsibilities, will temper their casual radicalism.⁸⁷ Neither of these solutions is plausible for Hayek, because, for him, the problem is inherent in the structure of social adaptation. For this reason, his response is not immediately “political,” but what we might call ideological. Hayek still advocates tradition and liberty, but also creates a new vision of a constructive, liberal utopia that will contain and shape a popular discontent that can never be fully eliminated. This is not a casual difference.

6. Individualism: True and False

Hayek’s concerns in “The Intellectuals and Socialism” can be traced to his classic 1945 article “Individualism: True and False,” which contains his most sustained meditation on the condition of modernity. That this essay draws overtly on Tocquevillian themes of the interplay between civilizational development and individual psychology is unsurprising, given its title, since Tocqueville was one of the first to reflect deeply on modern “individualism” and its implications.⁸⁸

In the pessimistic second volume of *Democracy in America*, Tocqueville explains his fear that the democratic age he saw embodied in America might pave the way to a new form of administrative despotism. Implicit in democratic individualism (which Tocqueville understood as a society of equal individuals lacking distinctions in status, rather than any specific form of government *per se*) is the danger of what Raymond Aron calls a “universal *embourgeoisement*.”⁸⁹ Because they lack the sense of tradition and the solid, intermediary

⁸⁷ Tocqueville claimed that “The Americans are a democratic people who have always directed public affairs themselves. The French are a democratic people who for a long time could only speculate on the best manner of conducting them. The social condition of the French led them to conceive very general ideas on the subject of government, while their political constitution prevented them from correcting those ideas by experiment and from gradually detecting their insufficiency; whereas in America the two things constantly balance and correct one another.” Quoted in Aron, Raymond, *Main Currents in Sociological Thought*, Vol. I., Penguin, 1965, 221.

⁸⁸ Tocqueville, Alexis De, *Democracy in America*, Trans. Harvey C. Mansfield and Delba Winthrop, Chicago, 2000, xviii.

⁸⁹ Aron, Raymond, *Main Currents in Sociological Thought*, Vol. I., Penguin, 1965, 192.

institutions found in aristocracies, Tocqueville feared that democratic regimes could degenerate into atomized societies of competitive and narrowly self-involved individuals, each concerned with just an immediate sphere of material well-being. In this scenario, formerly independent citizens might acquiesce to increasing amounts of state intervention, both to secure material comfort and to redress the symptoms of the social disintegration caused by their own narrow passivity.⁹⁰ Democracy would then lead into administrative despotism, with its good intentions paving the “road to servitude”⁹¹ (the phrase that inspired the title of Hayek’s *The Road to Serfdom*). Against this bleak vision, Tocqueville hoped that democratic love of independence and distrust of authority, enhanced by religion and an abundance of voluntary civil associations, would provide a counterweight. In the end, he vacillated in his opinion on which dynamic would rule in democracies. This basic ambiguity is the source of an anxiety that haunts Tocqueville’s conception of modernity.⁹²

Hayek’s wide-ranging and speculative article on individualism embeds Tocqueville’s central motifs in a broader set of conjectures on history, epistemology, and social development. He argues that the decline of “the accepted Christian tradition”⁹³ has thoroughly undermined both the content of established moral orientations and, more importantly, the willingness of citizens to abide by *any* general principles and rules. As Tocqueville noted, one consequence of the new democratic individualism is an increased willingness to abandon traditional norms and forms of authority under the pressure of current exigencies. The result is that government becomes ad hoc and increasingly illiberal as customary restraints on administration decay.

⁹⁰ Elstain, Jean Bethke, *Democracy on Trial*, Basic Books, 1995, 9-10.

⁹¹ Tocqueville, Alexis De, *Democracy in America*, Trans. Harvey C. Mansfield and Delba Winthrop, Chicago, 2000, 640.

⁹² Kaledin, Arthur, *Tocqueville and His America: A Darker Horizon*, Yale, 2011.

⁹³ Hayek, Friedrich, *Individualism and Economic Order*, Chicago, 14.

Hayek observes that the normative space left vacant by the withering of traditional religious understandings has been colonized by several competing conceptions of individualism that arrive in early European modernity.⁹⁴ This is decidedly a mixed blessing. In one sense, for Hayek, modern individualism should be the culmination of the whole course of Western development; it should be the secularization and deliberate appropriation of what was really valuable in the old religious content. The problem is that the political upheavals of the past three centuries, a period that witnessed both the industrial revolution and the advent of democracy, have led to the dispersion of new and, according to Hayek, dangerous conceptions of the individual.

Above all, Hayek draws upon the critique of Descartes that Tocqueville mounts in the second volume of *Democracy in America*.⁹⁵ Tocqueville holds Descartes responsible for the notion that abstract reason is a universal standard, generally accessible to each individual through unaided reflection.⁹⁶ Tocqueville had noted that this sort of vulgarized “Cartesianism” is deeply ahistorical in the way that it corrodes authority and tradition, pushing the burden of seeking truth onto each individual. Thus the price of increased personal freedom and individual initiative, both of which Tocqueville consistently applauds, is the specter of skepticism and lurking anxiety.⁹⁷ By encouraging individuals to submit each question to the abstract tribunal of reason – even on issues in which they may not be competent to judge – Cartesianism tends to breakdown institutions, severing ties with the past and throwing citizens back on their own meager resources. In the guise of reason, imagination is given free reign.

⁹⁴ Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 528.

⁹⁵ Tocqueville, Alexis De, *Democracy in America*, Trans. Harvey C. Mansfield and Delba Winthrop, Chicago, 2000, 403-5.

⁹⁶ Ibid., 404.

⁹⁷ Ibid., 513-4.

Hayek develops Tocqueville's argument into a generalized critique of modernity, arguing that the legacy of Cartesian rationalism is at the heart of contemporary political crises.⁹⁸ According to Hayek, rationalists tend to think of the world as a coherent structure, unified through reason, the nature of which can be discovered *a priori* by an individual human mind and grasped in conscious thought. The universe displays deep intelligibility, i.e. it makes sense "all the way down" and hangs together in a single, coherent framework. Rationalism implicitly claims that reason is, in principle, equally accessible to everyone; this, in turn, implies not just that each individual should be her own judge, but also that we should all converge on the same truth. As in geometry, a true proof is not open to dispute.

In other words, a metaphysical monism is regulative for the rationalist enterprise.⁹⁹ But, as Hayek will attempt to show, Cartesianism is an especially pernicious variety of monism because it leads in contradictory directions. On the one hand, rationalism is anti-authoritarian to the point of being anarchic ("each man his own judge"). On the other, it is thoroughly despotic ("a single truth for all"). We can anticipate Hayek's claim: when the postulates of rationalism become accepted elements of the ambient culture, politics swings between disorder and tyranny.¹⁰⁰

The dominant metaphor here is of the individual as isolated spectator, of Descartes meditating in his study, or of Lycurgus single-handedly giving law to the Spartans (an image of which Descartes and Rousseau were both fond).¹⁰¹ Under the keen eyes of the master, the

⁹⁸ Hayek, Friedrich, *Law, Legislation and Liberty*, 3 Vols., Routledge, 1973, 10-12.

⁹⁹ See Galston, William, *Liberal Pluralism*, Cambridge, 2002.

¹⁰⁰ Hayek, Friedrich, *Individualism and Economic Order*, Chicago, 1948, 16, 28.

¹⁰¹ Thus in the *Discourse on Method*, Descartes observes that "there is seldom so much perfection in the works composed of many separate parts, upon which different hands had been employed, as in those composed by a single master." Descartes does not hesitate to draw political conclusions from this maxim: "The past pre-eminence of Sparta was due not to the pre-eminence of each of the laws in particular...but to the circumstance that, originated by a single individual, they all tended to a single end." Quoted in Hayek, Friedrich, *The Fatal Conceit*, 1989, 9-10.

world is surveyed before it is redescribed or recreated. This attitude passes from the philosophy of science, to the human sciences, from which it permeates accepted understandings. It is forever showing up in unexpected places. Sheldon Wolin highlights a wonderful passage from the economic writings of James Mill that expresses the synoptic ideal exactly. Not coincidentally, it imitates a Platonic dialogue:

B. "...[A] commanding view of a whole subject, in all its parts....is it anything but another name for theory, or science of the subject? Theory (*theoria*) is literally VIEW...meaning view or knowledge, not simply of this and that part, but...of the whole."

A. "...you mean to say that the theory or science of political economy is a commanding view of the vast combination of agents..."

B. "You have anticipated me correctly."¹⁰²

One must not lose track of the central issue here. James Mill was not a socialist or a Rousseauian romantic, but a free-market liberal. Despite this, Hayek's argument allows us to detect a deeper harmony of apparently opposed perspectives. Rationalists *begin* from the presumption of a coherent whole and therefore have no conception of the extent to which wholes must be assembled piecemeal over time. The corollary to this is that rationalists also lose sight of the inherent limits to human knowledge. Consequently, they continue to miss the lesson Burke never tired of repeating: that much of social order inevitably rests on tacit knowledge that has slowly evolved and exists below the level of articulate thought, embodied in tradition and institutions.¹⁰³

A surprising twist thus takes place within the rationalist conception: when the individual enters the political sphere, he attempts to legislate for the entire society based on the

¹⁰² Wolin, Sheldon, *Politics and Vision*, 2nd ed., Princeton, 2004, 27.

¹⁰³ Levin, Yuval, *The Great Debate: Edmund Burke, Thomas Paine, and the Birth of Right and Left*, Basic Books, 2013.

truth of his knowledge, and individualism passes over into collective prescriptions for society at large, enforced, in the last resort, by state power. For Hayek, a straight line runs from Descartes and Rousseau, to Comte and Marx.¹⁰⁴

At the same time, rationalism destabilizes moral norms, because it encourages an “unwillingness to bow before any moral rules whose utility is not rationally demonstrated.”¹⁰⁵ This attitude is immensely disruptive because the rules and customs that bind society together develop without the reasons behind them being known or even knowable. Not coincidentally, this is why the original Cartesian philosophy retained the conception of a benevolent God to underwrite the rational order; without the divine backstop to limit critique, it is a short step from Descartes’ purely heuristic venture of hyperbolic doubt to Marx’s more political call for “a ruthless criticism of all that exists.”¹⁰⁶

The anarchic strain of the rationalist project is allied to what Hayek views as the second major conception of individualism at work in modernity, a romantic individualism that he traces to 19th century German writing (above all Goethe) and to John Stuart Mill in the English speaking world.¹⁰⁷ “In this age,” Mill declares in one of his freer moments, “the mere example of non-conformity, the mere refusal to bend the knee to custom, is itself a service.”¹⁰⁸ Romanticism applauds nonconformity for its own sake, because, on this view, the individual

¹⁰⁴ It is possible to question whether the rationalist label, even as Hayek uses it, is really applicable to a thinker such as, say, Marx. On the one hand, Marx clearly recognized the role that irrational drives and faulty knowledge play in capitalism and politics. From this angle, it seems ludicrous to call Marx a rationalist. On the other hand, many versions of Marxism – and at times even the writings of Marx himself – evoke a series of rationalist aspirations. For Marx, the irrational nature of capitalism is the source of problems that theoretical knowledge can help overcome; to Hayek, capitalism’s irrationality is precisely the source of its adaptability and strength. To the extent that Marx recapitulates some of the rationalist aspirations that we can trace back to the Enlightenment, I think that Hayek’s characterization is appropriate.

¹⁰⁵ Hayek, Friedrich, *Individualism and Economic Order*, Chicago, 1948, 25.

¹⁰⁶ Marx, Karl, *Letter to Arnold Ruge*, Sept. 1843, https://www.marxists.org/archive/marx/works/1843/letters/43_09.htm, accessed 8/27/16

¹⁰⁷ Hayek, Friedrich, *Individualism and Economic Order*, Chicago, 1948, 25-6.

¹⁰⁸ Mill, John Stuart, *Utilitarianism, On Liberty, and Considerations on Representative Government*, Ed. H.B. Acton, Everyman's Library, 1984, 135.

is fundamentally engaged in a project of aesthetic self-creation. Social structures and shared norms are seen as constricting impositions on self-creation, rather than as the unavoidable basis of meaningful interaction.

Romanticism exacerbates feelings of alienation and resentment when experiments in living go wrong, which they often do. Personal alienation then becomes the motive for social critique, a motive Hayek attributes to Rousseau.¹⁰⁹ Finally, the Germanic tradition provides an emotional thrust to radical nationalism, viewed as the self-creation of the community. In these scenarios, instrumental reason operates as the handmaiden of irrational desire. Thus Saint-Simon, that barometer of the future, sometimes envisioned society as a sort of rationalized aesthetic hierarchy in which the artists would guide the scientists, who would in turn lead the industrialists.¹¹⁰

To the extent that they systematically misrepresent the powers of the human mind, the importance of evolved traditions, and the place of the individual within society, romanticism and rationalism are both false. Against this, Hayek points to a third style of individualism, a true individualism that he believes is frequently overlooked and misunderstood: that of Bernard de Mandeville, the Scottish Enlightenment, and Tocqueville. Unlike the heirs of Descartes, who begin from the presumption of a rationally ordered whole, the true individualists begin from the twin problems of epistemological finitude and the novelty of change. They “rate rather low the place which reason plays in human affairs” because they know that order emerges from the unintended consequences of action.¹¹¹

¹⁰⁹ Hayek, Friedrich, *The Fatal Conceit*, Chicago, 1989, 64.

¹¹⁰ Eksteins, Modris, *Rites of Spring: The Great War and the Birth of the Modern Age*, Houghton Mifflin, 1989, 9.

¹¹¹ Hayek, Friedrich, *Individualism and Economic Order*, Chicago, 1948, 14.

This tradition of true individualism is not primarily a moral attitude but a social scientific theory about the emergence of social order; it is “only in the second instance a set of political maxims.”¹¹² It does not, for instance, assert that the self is the locus of all value, or that each person should only pursue his rational interest, or that utility should be maximized. It holds that:

All the possible difference in men’s moral attitudes amounts to little, so far as their significance for social organization is concerned, compared with the fact that all man’s mind can effectively comprehend are the facts of the narrow circle of which he is the center.¹¹³

True individualism posits radical finitude as the eternal condition of humankind. Instead of an individual surveying the world, its guiding metaphor is a struggle to pierce through darkness (another Christian image).¹¹⁴ It claims with Hume that the Cartesian dream of rational synopsis is impossible – in the end no God or structure underwrites our knowledge of the world – and with Adam Smith it insists that the really interesting question is how social order is possible at all under these restrictive conditions.

Society is a coordination problem that can only be solved through rules and institutions that allow individual actions and expectations to come into alignment through trial and error. What Adam Smith called the “system of natural liberty” is merely the enforcement of individual rights and freedoms against encroachments by the state so that a space for experimentation can be encouraged. For Hayek, this entails a dogged resistance to overarching policies designed to shape the course of society and a reliance on minimally restricted economic markets as the best method for coordinating change.

¹¹² Ibid., 6.

¹¹³ Ibid., 14.

¹¹⁴ Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 74.

However, Hayek also recognizes that his stance entails a deep feeling of loss. Liberty offers none of the assurances or sense of mastery that comes with rationalism or romanticism. The system of liberty, with its insistence on contingency and change fosters “resentment rather than...wonder or curiosity. Much of our occasional impetuous desire to smash the whole entangling machinery of civilization is due to this inability of man to understand what he is doing.”¹¹⁵

In the end, we learn that the skeptical standpoint of true individualism gives rise to its own dangers and temptations, perhaps no less radical than those that stem from Cartesianism and its offshoots. This is because the attraction to utopian solutions appears to be one potential reaction to the skepticism at the core of the liberal view. Shklar’s so-called liberalism of fear, designed to calm the mind and produce moderate politics, can lead quite easily into a liberalism of anxiety, a deep uneasiness of the soul in search of a remedy. No one has captured this anomic feeling better than Hume, the quintessential skeptic and a thinker to whom Hayek owes a great deal:

The *intense* view of these manifold contradictions and imperfections in human reason has so wrought upon me, and heated my brain that I am ready to reject all belief and reasoning, and can look upon no opinion even as more probable or likely than another. Where am I, or what? From what causes do I derive my existence, and to what condition shall I return? Whose favor shall I court, and whose anger must I dread?...I am confounded with all these questions and begin to fancy myself in the most deplorable condition imaginable, environ’d with the deepest darkness...¹¹⁶

¹¹⁵ Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 76.

¹¹⁶ Quoted in Hall, John A., *Liberalism: Politics, Ideology, and the Market*, North Carolina, 1988, 65.

7. Why liberalism? The Problem of Justification

Thus at precisely this point – that is, immediately after he describes his positive vision of a society based on liberty, juridical law, and markets – Hayek encounters two related problems that haunt his writings for the rest of his life. The first is a problem of ethical justification, the second a problem of how to legitimate the lived experience of the spontaneous order. The first question asks in what way liberalism is good from the more detached standpoint of ethical philosophy; the second asks why citizens should embrace a liberal society, with its volatility and dislocation, as the context of everyday life. This quickly becomes a problem of democracy, of sustaining broad-based popular support for economic policies that often have unpleasant side-effects.

To put it bluntly, moral philosophy is a problem for Hayek. The impossibility of a synoptic perspective on the world does not merely undermine Cartesian rationalism, but, as he clearly recognizes, it also precludes the traditional ethical justifications for the liberal order that he champions. These classical justifications are natural right, utilitarianism, and a looser style of thinking that I call “economic rationalism.”

On the one hand, Hayek’s intensely skeptical perspective denies that there is a static human nature or a divine source that can ground a theory of natural rights, as in John Locke. For all of his professed affinity with Locke’s liberalism and his empiricism, Hayek’s whole project should be seen as an attempt to avoid the central Lockean question of moral sovereignty, “Who is to be judge?”¹¹⁷ For Locke, there is a judge in heaven, if not on earth; indeed, it is the heavenly judge who restricts earthly authority in the name of natural right.¹¹⁸ For Hayek, no ultimate judge exists and no principle gives us certain moral knowledge. The

¹¹⁷ See Dunn, John, *The Cunning of Unreason: Making Sense of Politics*, Basic Books, 2000, 22.

¹¹⁸ Dunn, John, *The Political Thought of John Locke*, Cambridge, 1969.

right as such is not known, but may over time be discovered or embodied in tacit, unarticulated practices. It could be said that spontaneity is the silence of sovereignty. This difference always remains a real point of tension between Hayek and theorists of natural right from Locke to Nozick. On the other hand, Hayek also denies that we can reliably predict the outcome of complicated social policies, or that maximal happiness is a worthy goal in itself. As a consequence he also cuts the legs out from under any recognizable form of utilitarianism.

More to the point, Hayek is likely to reject *any* strictly ethical response to the question “Why liberalism?” because ethics as such tends to produce rational truths based on some putative *telos* or vision of the whole, precisely the endeavor that Hayek claims is impossible.¹¹⁹ “Ethics,” he says elsewhere, “is the last fortress of human pride.”¹²⁰ Society as a spontaneous system *cannot* conform to a substantive conception of justice without the often dire consequences that come with institutional rigidity. “Social justice” is, for Hayek, an oxymoron. “A Rawlsian world could thus never have become civilized...It would have scotched most discoveries of new possibilities.”¹²¹

It must also be understood that Hayek’s political vision distinguishes him from many defenders of neoliberal markets.¹²² His views on the centrality of cultural traditions and the impossibility of impersonal reason prevent him from claiming that free-markets stem from a universal human nature, or that they are optimally efficient or rational according to some ideal standard.¹²³ These three arguments are the most well known elements of a broad style of

¹¹⁹ “[W]hile it is true that *traditional* morals, etc. are not rationally justifiable, this is also true of *any possible moral code, including any that socialists might come up with*...no matter what rules we follow, we will not be able to justify them as demanded [by rationalists and moral philosophers]...justification is indeed a red herring...” Hayek, Friedrich, *The Fatal Conceit: The Errors of Socialism*, Chicago, 1989, 68.

¹²⁰ *Ibid.*, 10.

¹²¹ *Ibid.*, 74.

¹²² Tebble, A. J., *F. A. Hayek*, Continuum, 2010, 8, 51.

¹²³ Economist and former Greek Finance Minister Yanis Varoufakis points out that prominent neoliberal economists failed to anticipate the 2008 economic crisis because their rational equilibrium models could not

thinking I call “economic rationalism” for short. In fact, Hayek insists that the overt rationalism of much contemporary economics makes exactly the same mistake as the old Cartesian view: it assumes the real has an ideal structure that the theorist grasps upon reflection and summarizes in a (preferably mathematical) theory.¹²⁴ Hayek is suspicious of anything that resembles a structural theory, and this is what differentiates him not just from Keynes, as is well known, but also from many of the best known neoliberal economists like Milton Friedman or Gary Becker. “Keynes’ economics,” Hayek once told an interviewer, “is just another branch of the centuries-old Quantity Theory school, the school now associated with Milton Friedman.”¹²⁵ (That is, both Keynes and Friedman have structural theories based on a small number of factors, in this context money.)

Hayek attacks the crudest versions of neoclassical and neoliberal economics for political reasons. Exactly like the prominent 19th and 20th theories of century socialism, they are based on the synoptic illusion of total knowledge and fail to understand the costs of acquiring information.¹²⁶ By keeping the idea of surveying the “real” economy alive, neoclassicism covertly sustains the false utopian dream of the socialist plan. The two schools are different sides of the same Cartesian coin. Hayek can and does argue that the market is the best alternative of which we know – and likely an indispensable device – for coordinating

envision deviations from the ideal norm. Theories like the Efficient Markets Hypothesis and Real Business Cycle Theory convinced them that self-regulating markets always produced the most efficient outcome. See Varoufakis, Yanis, *The Global Minotaur: America, the True Origins of the Financial Crisis and the Future of the World Economy*, Zed, 2011, 14-15.

¹²⁴ In his classic essay “Economics and Knowledge,” Hayek warns his fellow economists – especially the model builders and equilibrium theorists – that “It seems that that skeleton in our cupboard, ‘the economic man,’ whom we have exorcised with so much prayer and fasting, has returned through the back door in the form of the quasi-omniscient [i.e. fully rational] individual.” Hayek, Friedrich, *Individualism and Economic Order*, Chicago, 1948, 46.

¹²⁵ Quoted in Garrison, Roger W. “Hayek and Friedman: Head to Head,” <http://www.auburn.edu/~garrir/hayek%20and%20friedman.pdf>, accessed 6/17/2015.

¹²⁶ Joseph Stiglitz summarizes this point nicely: “the fundamental problem with the neoclassical model and the corresponding model underlying...[orthodox] socialism is that they fail to take into account...the costs of acquiring information.” Stiglitz, Joseph E., *Whither Socialism?*, MIT, 1994, 174.

information within a complex society, but he never argues that it is uniquely rational or infallible. Just because the economy, for Hayek, is not a stable site of rational calculation but an aggregation of individual attempts to adapt to unknown circumstances, it entails mistakes, accidents, excesses.¹²⁷ “Waste,” he writes, “is everywhere the price of freedom.”¹²⁸ (Whether or not the wasteful and excessive nature of markets represents a problem during the current epoch of ecological crisis is a question to which Hayek seems strangely oblivious.)

So the question, “Why liberalism?” remains unanswered. Hayek’s final justification does not rest on a normative claim about what is good in human life, but on a common sense affirmation of material prosperity, and, more importantly, on a meta-theory about the possibility of the development of *any* morality. In short, he argues that what we call liberty just is that set of social practices that has allowed for the cumulative development and expansion of a normative order over time. Liberty is not a norm but a meta-norm, i.e. a framework that allows for the discovery of norms when no one has the ability to be the final judge. “Liberty is not merely one particular value but...is the source and condition of most moral values.”¹²⁹ (Tellingly, Hayek does not address the question he begs here: what moral values is liberty not the condition of?) Nonetheless, this turn toward meta-theory means the final moral status of liberal society, or of any particular feature or law, is always somewhat uncertain for Hayek, lacking ultimate justification. The main thrust of his argument merely shows that liberalism is unavoidable, not that it is desirable. He tells us not how we should live, but how we must. Thus Andrew Gamble, with a nod to Max Weber, calls Hayek’s vision an “iron cage of liberty.”¹³⁰

¹²⁷ “Humiliating to human pride as it may be, we must recognize that the advance and even the preservation of civilization are dependent upon a maximum opportunity for accidents to happen.” Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 81.

¹²⁸ Ibid., 195.

¹²⁹ Ibid., 52.

¹³⁰ Gamble, Andrew, *Hayek: The Iron Cage of Liberty*, Polity, 1996

Not unlike Weber's Calvinists, Hayek's stern version of spontaneous liberalism places living individuals in a precarious existential situation due to its insistence on moral agnosticism, epistemological skepticism, and the need for continual adaptation to novelty. What he calls "the game of catallaxy" necessarily produces losers. It is often unpleasant and always uncertain. It cuts against the grain of desire and demands a "hard discipline."¹³¹ Intellectuals are actively hostile to it. The poor resent it. All this raises the specter of a breakdown of the normative ensemble that sustains free-market liberalism. The most pressing danger Hayek sees is not that markets will collapse, or even that the state will become despotic, but that an irrational citizenry will react against the spontaneous order, destroying the source of novelty and wealth in society. His deepest fear is a legitimation crisis, and therefore finding an answer to the question "Why be liberal?" that persuades in day-to-day politics is *the* indispensable task. In one of his most revealing statements, Hayek writes:

The individual, in participating in the social process, must be ready and willing to adjust himself to changes and to submit to conventions which are not the result of intelligent design, whose justification in the particular instance may not be recognizable, and which to him will often appear unintelligible and irrational.¹³²

The spontaneous order is not just unpredictable but *unintelligible*. Spontaneity does more than elude rational oversight; through its volatility, the spontaneous order undermines the frameworks and categories that citizens rely on in daily life to make the world intelligible to themselves. Why did I lose my job? Does this failure undermine my own conception of myself as a caretaker, a responsible hard-worker, or masculine? And if so, as Hume asked, what am I?

¹³¹ Hayek, Friedrich, *Individualism and Economic Order*, Chicago, 1948, 24.

¹³² *Ibid.*, 22.

Liberalism is doubly fragile, threatened from two directions at once. On the one hand, the administrative state can easily regulate it out of existence. This fear goes back to Tocqueville and is never far from Hayek's mind. But, unlike many of his current disciples, Hayek was aware that the experience of spontaneity could be painful and disorientating, and that this experience was both central to the success that liberalism has enjoyed and a point of real vulnerability. Administration is the external danger, but the experience of radical contingency is the adversary in the heart of liberalism itself.

The ideas of Joseph Schumpeter, Hayek's interlocutor and fellow Viennese liberal, are an instructive counterpoint. Schumpeter combined the legacies of Tocqueville and Weber to produce what was probably the most compelling formulation of the "big bureaucracy" theory of capitalist decline in the 20th century. In *Capitalism, Socialism, and Democracy*, he argues that as capitalism grows, it is likely to become so bureaucratic that it will simply pass over into socialism once citizens become accustomed to life inside domineering institutions.¹³³ Schumpeter's claim is not that monopolistic industries undermine growth and innovation (as in Marxist theories of monopoly capital).¹³⁴ Capitalism remains as dynamic as ever, but the system inches ever closer to socialism as citizens grow acclimated to lives structured by governmental and corporate control and come to insist upon a planned society. Much to Hayek's displeasure, Schumpeter also wrote that socialism would be a viable alternative, if less dynamic and heroic than entrepreneurial capitalism. Since a long term and seemingly inexorable process of institutional change was driving the shift in ideas, there was little that could be done about it from Schumpeter's perspective unless the institutional structure of the

¹³³ Schumpeter, Joseph, *Capitalism, Socialism, and Democracy*, Harper & Brothers, 1942.

¹³⁴ Foster, John Bellamy, *The Theory of Monopoly Capitalism: An Elaboration of Marxian Political Economy*, Monthly Review, 1986.

economy changed in an unforeseen way that forced individuals to be more entrepreneurial and competitive, thereby internalizing the capitalist ethos anew.¹³⁵

In spite of his respect for Schumpeter and their political affinities, Hayek never believed this story, for reasons that are fundamental to his theoretical approach. Hayek's thought is epistemological and abstract, more than institutional or historical. He seldom discusses concrete institutions and economies from the past, except when they illustrate some larger point he wishes to make about theory. To him, the need to solve novel problems based on finite knowledge and to coordinate bits of information scattered throughout society *cannot* be overcome. The institutions that work towards coordination might change (within limits), but the fundamental problem does not. It characterizes all stages of economic history because cognitive finitude is not a problem so much as a condition of possibility of social life. For Hayek, this condition of fundamental uncertainty drives adaptation in a market economy. The increasing size of institutions, which Hayek also anticipated, does not eliminate this problem or pose a necessary threat to spontaneity.¹³⁶

In a sense, then, Hayek seems more optimistic about the future of liberal capitalism than Schumpeter and other “declinists,” because he does not see any institutional trend that automatically undermines it from within. To the extent that Hayek is worried about the growth of an authoritarian state apparatus, as in *The Road to Serfdom*, its origins are traced to the creeping ascendancy of Cartesian rationalism as a mode of thought, rather than some Weberian bureaucratic inertia. Socialism as an alternative can be ruled out in advance as a Cartesian delusion, so there is no real debate to be had about what form society should take.

¹³⁵ Foucault discusses the practices that help entrench a revitalized “enterprise society” in Foucault, Michel. *The Birth of Biopolitics*, Ed. Michel Senellart, Palgrave-Macmillan, 2008, 147.

¹³⁶ Hayek, Friedrich, *The Fatal Conceit*, Chicago, 1989, 37.

At the same time, Hayek's vision is darker and more precarious. For Schumpeter, ideas are much more tightly bound to institutions. For Hayek, however, cognition is primary and institutions are intensely fragile because, at root, they are composed of historical patterns of interpretations. As such, they are sedimented together over time in ways that can foment instability. Shift the interpretations and you can change the institutions rather easily, as the rise of rationalism shows. "Indeed," he says,

The great lesson which the [true] individualist philosophy teaches us on this score is that, while it may not be difficult to destroy the spontaneous formations which are the indispensable bases of a free civilization, it may be beyond our power to deliberately reconstruct such a civilization once these foundations are destroyed.¹³⁷

It therefore becomes very important to maintain a constant vigilance over popular ideas and beliefs. Our alternatives are not dynamic capitalism or a somewhat stagnant and boring socialism, as Schumpeter thought. Either we preserve space for the spontaneous order to function, or risk a collapse of the complex society which has evolved, complete with mass starvation and poverty.¹³⁸ Thus the battle against intellectuals and their romantic utopianism must be won at all costs. Policing the ambient political culture for traces of Cartesian rationalism is one aspect of this struggle. Hayek's own utopia is really a counter-utopia, and it emerges from this basic dilemma.

Given his influence on Hayek, it should come as no surprise that Tocqueville confronts an analogous problem regarding the connection between social contingency and despotism. The distance between the ways that Tocqueville and Hayek respond to this issue helps us to understand what is novel in the idea of a utopian liberalism.

¹³⁷ Hayek, Friedrich, *Individualism and Economic Order*, Chicago, 1948, 25.

¹³⁸ Hayek, Friedrich, *The Fatal Conceit*, Chicago, 1989, 27.

Tocqueville worries that the smallness of the single individual within the “great body” of the democratic crowd, combined with the experience of skepticism and chance in the modern world, will produce an apathetic and passive citizenry, open to the seductions of benevolent despotism. Citizens acquiesce to arbitrary authority when faced with *either* the apparent dominance of impersonal forces *or* a world of ungoverned chance. In this situation apathy becomes predominant and the possibility for resolute action that aristocratic societies displayed in abundance is diminished. Tocqueville writes:

There is hardly any human action, however particular a character be assigned to it, which does not originate in some very general idea men have conceived of the Deity, of his relation to mankind, of the nature of their own souls, and of their duties to their fellow creatures....doubt on these first principles would abandon all their actions to the impulse of chance, and would condemn them to live, powerless and undisciplined.¹³⁹

Much like Rousseau, whom he claimed to reflect upon almost daily,¹⁴⁰ Tocqueville believed that modern societies display real advantages compared to earlier social formations. But they also contain downsides and losses. Also like Rousseau, Tocqueville believed that the self or soul requires a considerable degree of stability, even as it is often restless and insatiable.¹⁴¹ The best social order will provide some room for both elements. Too much order and stability quickly become despotic. Past a certain point, however, the experience of chance harbors a despotic force. Tocqueville helps us see that the modern experience of contingency is paradoxically linked to the rise of an administrative state, since a bureaucratic apparatus can claim to address perfectly normal demands for stability that life inside a mobile, skeptical, and

¹³⁹ Tocqueville, Alexis De, *Democracy in America*, Trans. Henry Reeve, Bantam, 2000, Vol II Ch. V.

¹⁴⁰ The relationship between Rousseau and Tocqueville is briefly but usefully discussed in Mansfield, Harvey, *Tocqueville: A Very Short Introduction*, Oxford, 2010.

¹⁴¹ Aron, Raymond, “Alexis de Tocqueville,” In *Main Currents in Sociological Thought*, Vol. I., Penguin, 1965.

egalitarian society constantly undermines. In this way modernity can be chaotic and despotic at once.

Tocqueville clearly recognizes the problems that stem from the conjunction of democratic politics and the distressing unintelligibility of complex societies, but, despite Hayek's assurances that he and Tocqueville represent a unified tradition of liberal thought, their responses to this issue move in opposed directions. Tocqueville's distinct response operates on several levels. Above all, he argues that religious faith and liberty should be allied. By attuning citizens to a higher set of common values and a long term perspective, the Christian religion can attenuate the acquisitive myopia he sees in democratic societies founded on competitive egalitarianism.¹⁴² This faith should not be doctrinaire or oppressive, and it must not be tied to the state, but, as with Rousseau's minimal civil religion, it should provide assurances that contingency has its limits and that individual merits are divinely rewarded.¹⁴³ In other words, a modest space for something transcendent needs to be preserved that simultaneously supports and limits liberal society. On a second level, Tocqueville champions the virtues of civic association in democracy. The needs that Rousseau realizes through his tightly bound, egalitarian social contract are put in motion by Tocqueville inside a democratic society. Through collective action in civil society, individuals can come together to exercise power and undertake larger projects, and in this way democracy both resists the administrative state and provides a partial remedy for the anomie it generates. The soul's natural desire for distinction and rule find a new outlet in politics.

¹⁴² Tocqueville, Alexis De, *Democracy in America*, Trans. Harvey C. Mansfield and Delba Winthrop, Chicago, 2000, 504.

¹⁴³ Aron, Raymond, *Main Currents in Sociological Thought*, Vol. I., Penguin, 1965.

What both of Tocqueville's suggestions – the aspiration to sustain religion and the advocacy of democratic participation – have in common is a sense that the liberal order, however just it is on the final calculation, may not by itself support all elements of the good life. He retains from Rousseau the intuition that contemporary society is an ambiguous development from a prior condition, not the culmination of all that is valuable in a single process of cultural development. There is always a table of gains and losses that we must attempt to balance. "Let us endeavor to make the best of that which is allotted to us."¹⁴⁴ Tocqueville suggests that we retain a healthy distance from liberal democracy, even while he upholds its essential justice and admits its historical ascendancy. His liberalism is adamant, but chastened.

Hayek is far more radical. For him, in order to survive liberalism must become its own foundation, internalizing all that is valuable within a comprehensive vision of the liberal society. There is nothing "external" to the spontaneous order that lends it support or softens its rough edges. Sincere religious traditions, he believes, are no longer persuasive for historical reasons, and in the current era democracy tends toward illiberal policies.¹⁴⁵ What Hayek really desires is a liberalism without supplements. There is no perspective outside of the liberal order from which we can pass judgment on it; this is the meaning of a liberal utopia as Hayek understands it and the real significance of Hayek's apparently anodyne reflections on epistemology. "It is not the fruits of past successes," he writes, "but the living in and for the future in which human intelligence justifies itself. Progress is movement for movement's sake."¹⁴⁶

¹⁴⁴ Ibid., 187.

¹⁴⁵ Friedrich, Hayek, *Individualism and Economic Order*, Chicago, 1948, 2.

¹⁴⁶ Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 95.

But, by definition, progress cannot merely be movement for movement's sake, but requires some larger goal or vision to contextualize events, to allow them to hang together in a cumulative way; otherwise, what we have is not progress, but simply motion. In the end, perhaps Hayek's true dilemma is that he feels compelled to defend liberal civilization and to legitimize it during a time of instability, but the intensity of his skeptical view prevents him from making the sorts of normative arguments that might explain why liberalism is good *for us*, or to parse how it fits in comparison with other goods. When economic change threatens social stability or the integrity of political institutions, how do we weigh these competing needs? Hayek has almost nothing to say in this regard, beyond faith in markets and confidence in individual experimentation. However, it seems to me that democracy requires some form of public ethics because normative argumentation is required, not merely to defend notions like progress, but to achieve the popular consensus on values that Hayek thinks the survival of liberty requires.

Lacking this, Hayek seeks to generate consensus around a utopian vision of the ideal liberal society. But even this utopia is somewhat disingenuous, because what it offers is not justice or reconciliation with an imperfect world, those hallmarks of the whole tradition of utopian thinking, but a radicalized version of really existing society. It appears doubtful that this image of the radiant tomorrow is enough to legitimate liberalism during periods of change and volatility, to pull the intellectual class away from romantic political philosophies, or to arbitrate disagreements between citizens who uphold alternative worldviews. The spontaneous order, with all the anxieties and uncertainties it generates, is therefore likely to remain unpopular, a crucial source of weakness in democratic societies.

More to the point, the broader tradition of Austrian liberalism has a disconcerting history of embracing authoritarian regimes in moments of crisis. Their hostility toward robust ethical theory, coupled with the certainty that rule-following individuals and markets are the only true source of value, has long made the Austrians ready to support strongmen of the Right. Hayek's friend and mentor, Ludwig von Mises, wrote in his 1927 book *Liberalism* about the importance of Italian fascism:

It cannot be denied that Fascism and similar movements aiming at the establishment of dictatorships are full of the best intentions and that their intervention has, for the moment, saved European civilization. The merit that Fascism has thereby won for itself will live on eternally in history. But though its policy has brought salvation for the moment, it is not of the kind which could promise continued success. Fascism was an emergency makeshift. To view it as something more would be a fatal error.¹⁴⁷

For Mises, fascism is the lesser of evils. Dictatorship may be necessary during critical interludes to sustain the basis of the market order. But who should judge when a crisis has reached a terminal moment that requires the services of a dictator? Moreover, doesn't the propagation of a doctrine of "good" dictatorship make authoritarian rule more likely? Mises is unclear on these points. As a result, this ambivalent attitude toward authoritarianism remains a consistent problem for Austrian liberals. Six decades later, when asked to explain his favorable stance toward the regime of the Chilean dictator Augusto Pinochet,¹⁴⁸ Hayek was plainspoken:

It is possible for a dictator to govern in a liberal way. And it is also possible that a democracy governs with a total lack of liberalism. My preference is for a liberal dictator and not for a democratic government lacking in liberalism.¹⁴⁹

¹⁴⁷ Mises, Ludwig Von, *Liberalism: The Classical Tradition*, Liberty Fund, 2005, 30.

¹⁴⁸ The literature on Hayek and Pinochet is rather scant. For a substantive discussion, see Robin, Corey, "The Hayek-Pinochet Connection: A Second Reply to My Critics," *Crooked Timber*, 25 June 2013. Web. 15 Feb. 2016.

¹⁴⁹ Quoted in Bowles, Samuel, and Herbert Gintis, *Democracy and Capitalism: Property, Community, and the Contradictions of Modern Social Thought*, Basic Books, 1986, 11-12.

Now, Hayek might seem to be raising legitimate questions about the dangers of illiberal democracy. Salvador Allende, whom Pinochet would overthrow, was elected to the Chilean presidency with a narrow plurality of 36%.¹⁵⁰ Does such a modest electoral victory provide the sort of mandate that could legitimize a social transformation? Can any electoral majority justify the infringement of, say, property rights? What is preferable, illiberal democracy or undemocratic liberalism? These may be perfectly legitimate philosophical questions in some circumstances, even if considerations of such questions remain relatively underdeveloped in Hayek's work.

The deeper problem is the facility, not to say eagerness, with which Hayek sometimes invents justifications for undemocratic practices.¹⁵¹ He sought a utopian vision of liberalism,

¹⁵⁰ Zakaria, Fareed, *The Future of Freedom: Illiberal Democracy at Home and Abroad*, Norton, 2003, 103.

¹⁵¹ For example, the following passage strikes me as particularly problematic in the way that it appears to justify the essential biological superiority of some members of society. I include it at length precisely because it illustrates a troublesome trend in Hayek's later thought that continues to go largely unrecognized. Hayek writes:

“Though the concept of a ‘calculus of lives’ cannot be taken literally, it is more than a metaphor. There may be no simple quantitative relationships governing the preservation of human lives by economic action, but the importance of the ultimate effects of market conduct can hardly be overrated. Yet several qualifications have to be added. For the most part, only unknown lives will count as so many units when it is a question of sacrificing a few lives in order to serve a larger number elsewhere. Even if we do not like to face the fact, we constantly have to make such decisions. Unknown individual lives, in public or private decisions, are not absolute values, and the builder of motor roads or of hospitals or electric equipment will never carry precautions against lethal accidents to the maximum, because by avoiding costs this would cause elsewhere, overall risks to human lives can be much reduced. *When the army surgeon after a battle engages in ‘triage’ –when he lets one die who might be saved, because in the time he would have to devote to saving him he could save three other lives (see Hardin, 1980:59, who defines ‘triage’ as ‘the procedure which saves the maximum of lives’) –he is acting on a calculus of lives* [my emphasis]. This is another instance of how the alternative between saving more or fewer lives shapes our views, even if only as vague feelings about what ought to be done. *The requirement of preserving the maximum number of lives is not that all individual lives be regarded as equally important* [my emphasis]. It may be more important to save the life of the doctor, in our example above, than to save the lives of any particular one of his patients: otherwise none might survive. Some lives are evidently more important in that they create or preserve other lives. The good hunter or defender of the community, the fertile mother and perhaps even the wise old man may be more important than most babies and most of the aged. On the preservation of the life of a good chief large numbers of other lives may depend. And the highly productive may be more valuable to the community than other adult individuals. It is not the present number of lives that evolution will tend to maximize but the prospective stream of future lives. If in a group all men of fertile age, or all such women, and the required numbers to defend and feed them, were preserved, the prospects of future growth would hardly be affected, whereas the death of all females under forty-five would destroy all possibility of preserving the strain.” Hayek, Friedrich, *The Fatal Conceit: The Errors of Socialism*, Chicago, 1989, 132-3.

in part, to generate popular excitement for individualism and markets. But this liberalism threatens to tip back into an authoritarian regime of law and order if and when popular support is not forthcoming. The dangers inherent in the authoritarian undertones of Hayekian liberalism should be obvious for a century that promises to be a period of intense global inequality, expanding urban slums, and looming ecological catastrophe.

8. From the Authentic Self, to Evolution, and Back

Andrew Gamble's *Iron Cage of Liberty*, a work that remains one of the more astute readings of Hayek from the Left, recognizes at once the key question raised by Hayek's procrustean division of Western political thought into "true" and "false" traditions: if liberal individualism is clearly true, what accounts for the longevity and power of the rationalist and romanticist strains?

If the problems of Western civilization are due to intellectual error, how has this error arisen?...rationalists have existed for at least as long as Hayek's true liberals...but they show no signs of being sidelined...The source of his difficulty lies in his refusal to accept so much of the Western intellectual tradition as an authentic part of that tradition...[this is] one of the most significant ideological closures in his work.¹⁵²

Gamble asks the correct question. Is it not the case that Hayek merely attempts to eradicate, or at least delegitimize, ideas that he finds politically distasteful? Even sympathetic critics usually admit that he exaggerates the distance between the English and French Enlightenments; after all, Voltaire and Montesquieu were profuse in their admiration of the English.¹⁵³ However, Gamble takes it as self-evident that Hayek simply has no explanation for the persistence of rationalism. This is not correct. Much of his later work, especially his final book, *The Fatal Conceit*, revolves around this very question. Hayek's answer, in brief, is that the evolutionary

¹⁵² Gamble, Andrew, *Hayek: The Iron Cage of Liberty*, Polity, 1996, 182.

¹⁵³ Conquest, Robert, *Reflections on a Ravaged Century*, Norton, 2000, 28.

heritage of humanity has left us torn between two mutually incompatible ideals: a society based on intimate, interpersonal relations and the new world of dynamic spontaneity.¹⁵⁴

So, *pace* Gamble, Hayek is aware of at least some of the problems that stem from his divisive reading of the Western tradition. As with so much of Hayek's thought, in the last instance his critique of rationalism and other radical "isms" boils down to a series of claims about sociocultural evolution. Evolutionary theory appears to offer a disinterested, scientific description of why the world looks the way it does, and it demarcates the realm of the possible, all while avoiding the pitfalls of rational philosophy, the *odium theologicum* of moral argumentation, and Rousseau's romantic conceptions of freedom and the authentic self. Of course, this tidy solution is more complicated than it seems. Far from eliminating the sources of political radicalism, I argue that Hayek's evolutionary turn allows them to enter quietly through the back door, but in order to see why this is the case we need to see how all the old issues re-emerge in his last work.

In *The Fatal Conceit*, Hayek observes that Aristotle apparently believed an effective polity could extend only as far as a herald's voice would reach.¹⁵⁵ The scale of a social order was thus limited by modes of coordination that required the intimacy of physical proximity and the shared interpretations of the world that come with a common language. Hayek points out that the Hellenic world had long outgrown these restrictive conditions by Aristotle's time and claims that the philosopher overlooks the obvious because he commits a common mistake:

¹⁵⁴ "Man's biological equipment has not kept pace with [the rapid change in social conditions]...adaptation of his non-rational part has lagged somewhat, and many of his instincts are emotions are still more adapted to the life of a hunter than to life in civilization. If many features of our civilization seem unnatural, artificial, or unhealthy, this must have been man's experience ever since he first took to town life...All the familiar complaints against industrialism, capitalism, or overrefinement are largely protests against a new way of life that man took up a short while ago after half a million years' existence as a wandering hunter..." Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 93.

¹⁵⁵ Hayek, Friedrich, *The Fatal Conceit*, Chicago, 1989, 11.

Aristotle's communitarian social thought is based on the conceptual apparatus that evolved during the era of "roving bands or troops in which the human race and its immediate ancestors evolved" over the course of a "few million years."¹⁵⁶ During that period the social order was based on circumscribed circles of trust and intimate knowledge of the needs of one's companions. The drives that emerge from this massive span, such as the impulses to charity and group solidarity, are part of the biological heritage of humankind.¹⁵⁷

The context of contemporary life is profoundly different. Hayek starts from the observation that modern society is a tenuous order in which citizens often have virtually no knowledge of each other, and asks how this remarkable situation is possible. His answer is that only abstract rules of behavior – rules that govern general patterns of behavior for "typical" situations¹⁵⁸ – can account for the existence of such complex societies. Only formal rules that dictate general behaviors toward unknown others allow for the emergence of an extended order. It is therefore culture – the evolved system of rules – that sustains the complexity of modern society, and not human nature or human reason.

The spontaneous order is an extremely recent phenomenon relative to the whole course of human development. Hayek observes:

The innate natural longings were appropriate to the condition of life of the small band during which man had developed the neural structure which is still characteristic of Homo sapiens. These innate structures built into man's organization in the course of perhaps 50,000 generations were adapted to a wholly different life from that which he has made for himself during the last 500, or, for most of us only 100 generations.¹⁵⁹

¹⁵⁶ Ibid., 11.

¹⁵⁷ Ibid., 12-13.

¹⁵⁸ Hayek, Friedrich, *Individualism and Economic Order*, Chicago, 1948, 18.

¹⁵⁹ Hayek, Friedrich, *Law, Legislation and Liberty*, 3 Vols., Routledge, 1973, 492.

In other words, the era of spontaneous order – the period of complex cultural development – comprises only about .02% of what Hayek considers to be the relevant time scale for social theory, even if we begin to date the rise of the spontaneous order from about 8,000 BC (roughly the period of the Neolithic Revolution).¹⁶⁰ In turn, the period of liberalism, capitalism, or whatever one chooses to call our current situation, is only a small fraction of that 0.2%. Our moment is one of extraordinary novelty.

As Hayek's thinking developed, he increasingly came to appreciate the many different types of evolutionary systems that interact.¹⁶¹ The idea of "the market" thus loses its special significance and becomes *primus inter pares*, just one of many nested systems that make up a cultural tradition, which itself is only one component of the evolved universe. Much like the market, law and language also coordinate individual behavior based on expectations embodied in rule governed systems. Following Popper's conception of an open universe, Hayek even speculates that the basic components of the physical universe are composites that have evolved through time based on patterns or rules.¹⁶² This vision of the universe accounts for Hayek's sense that the human predicament is defined by its participation in evolutionary systems over which conscious knowledge and control are hardly possible. "Man is not and never will be the master of his fate."¹⁶³

Once the vistas of history are thus opened, Hayek increasingly comes to recognize the incredible fragility implied by his understanding of spontaneous order. The recent appearance and weak institutionalization of complex societies is only part of the problem. Spontaneity

¹⁶⁰ If we assume that a generation has a duration of approximately 20 years, Hayek gives us a span of about 10,000 years as the timescale of the spontaneous order.

¹⁶¹ Kley, Roland, *Hayek's Social and Political Thought*, Clarendon, 1994, 65.

¹⁶² Hayek, Friedrich, *The Fatal Conceit*, Chicago, 1989, 45.

¹⁶³ Hayek, Friedrich, *Law, Legislation and Liberty*, 3 Vols., Routledge, 1973, 507.

itself is at the heart of a fundamental conflict. Complex societies exist neither because of humanity's political nature, as the ancients thought, nor because of the powers of rational thought, as many of the moderns believe. They emerge in the space of an "in between" zone of cultural evolution that has grown up through an experimental process of trial and error. But this experimental process is extremely painful to both instinct and reason. For instinct, spontaneity implies a wrenching away from accepted contexts and evolved moral feelings. For reason, the whole unintelligible process appears lawless and imperfect in the light of conceivable alternatives.

It may not be readily apparent, but there is a pronounced irony in Hayek's stance. In his attempt to eliminate rationalism and romanticism from the canon of thought, and in consequence to render socialist and nationalist offshoots literally unthinkable, Hayek comes to embrace a vision that, on the essential points, mirrors the thought of Rousseau, the writer at the fount of the radical traditions from which he desperately wants to escape.¹⁶⁴ For both Hayek and Rousseau, humankind is torn between its original "natural" state and a radically new social formation with its own set of novel rules, rules that will demand from citizens a severe and disciplined fidelity. Their theories examine the origins of the rupture and the possibility of renewal, and only a historical narrative that surveys the whole evolution of social order is capable of providing political guidance in a situation in which the deep past has been irrevocably lost.

Hayek's disavowed and perhaps unrealized closeness to Rousseau is apparent when they are contrasted as a pair with more traditional liberals like Adam Smith and Tocqueville, thinkers Hayek typically cites as his key influences. Adam Smith believed that human nature,

¹⁶⁴ Hayek mentions Rousseau nineteen times in *The Fatal Conceit*, far more often than his other intellectual opponents.

in the form of the individual's propensity to better his condition, to truck and barter, is the real foundation of a free society.¹⁶⁵ Whatever institutional evolution subsequently occurs, nature continues to form the bedrock of social order. For Tocqueville, the key historical change is the institutional mutation from aristocracy to absolutist monarchy to democratic equality; again, there is a certain continuity of human nature that Tocqueville typically refers to as the soul.¹⁶⁶ This sense of natural continuity gives both Smith and Tocqueville a sense of reassurance and moderation when they suspect that modern society might be going off the rails. There is less sense that desperate times call for desperate measures. As Mill put it, "If civilization has got the better of barbarism when barbarism had the world to itself, it is too much to profess to be afraid lest barbarism, after having been fairly got under, should revive and conquer civilization."¹⁶⁷

By contrast, for Rousseau and Hayek, there is a rupture in history, a radical division between humanity's natural past and its modern condition so profound that the old rules no longer apply. That they each seek the source of new rules in divergent ways is of less importance than the basic scenario of desperate groundlessness. An irrevocable change has taken place *within* humanity, and it is this internal shift that must be conquered. What Rousseau recognized as the distance between natural man and modern *bourgeois*, which Tönnies would – with some significant changes – formalize for social science in the distinction between communal *Gemeinschaft* and atomistic *Gesellschaft*,¹⁶⁸ Hayek explains as the contradictory

¹⁶⁵ Smith, Adam, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Ed. A.S. Skinner and R.H. Campbell, Vol. 1, Liberty Classics, 1976, 29.

¹⁶⁶ Tocqueville, Alexis De, *Democracy in America*, Trans. Harvey C. Mansfield and Delba Winthrop, Chicago, 2000, 278, 517.

¹⁶⁷ Mill, John Stuart, *On Liberty*, In *Utilitarianism, On Liberty, and Considerations on Representative Government*, Ed. H.B. Acton, Everyman's Library, 1984, 162.

¹⁶⁸ The connection stems in part from the fact that both Rousseau and Tönnies draw on Thomas Hobbes for their understanding of the distinction between natural and modern societies. See Cahnman, Werner J., *Ferdinand Tönnies: A New Evaluation*, Brill Academic, Netherlands, 1973, 141.

legacy of two evolutionary moralities, a primordial communalism and a more modern ethic of individualism and spontaneity. As Ernest Gellner noticed, at this level the chief difference between the Rousseauians and Hayek is merely that Hayek abandons the attractions of community and opts for an idealization of atomistic *Gesellschaft*.¹⁶⁹

In the age of spontaneity, the human self is at the center of a conflagration in which contradictory impulses pull in two directions at once. Ironically, Hayek not only chooses to emphasize this point with a line from Goethe's *Faust*, but also selects a passage that was close to the heart of that other master theorist of historical rupture, Karl Marx:

*Zwei Seelen whonen, ach, in meiner Brust
Die eine will sich von der anderen trennen.*

(Two souls live in my breast,
The one wants to separate from the other)¹⁷⁰

Marx uses this image in *Das Kapital* to describe the soul of a typical member of the bourgeoisie under capitalism, torn between the drive to invest for expanded accumulation and the desire to indulge in the pleasurable consumption that wealth makes possible.¹⁷¹ For Hayek, the passage expresses the split between humanity's communal instincts and the need to submit to the "hard discipline" of the spontaneous order.¹⁷² These two readings of *Faust* may not be all that different. Both Hayek and Marx read the work as an allegory about the travails of modernization, and both point to the splits between gratification and necessity, nature and culture, pleasure and duty.¹⁷³

¹⁶⁹ Gellner, Ernest, *Plough, Sword, and Book: The Structure of Human History*, Chicago, 1989, 26-34.

¹⁷⁰ Hayek, Friedrich, *The Fatal Conceit*, Chicago, 1989, 11.

¹⁷¹ Marx, Karl, *Capital Volume I*, Trans. Ben Fowkes, Penguin, 1990, 741.

¹⁷² Hayek, Friedrich, *Individualism and Economic Order*, Chicago, 1948, 24.

¹⁷³ For an insightful exposition of the modernist themes in *Faust*, see Berman, Marshall, *All That Is Solid Melts into Air: The Experience of Modernity*, Simon and Schuster, 1982.

Of course, many Marxists thought that this sad state of affairs could be remedied in a communist society in which the social instincts of man – who remains a *zoon politikon* through it all – would be remade on a new and higher level. Rousseau, too, seems to hope that the self-involved *bourgeois* might, under appropriate circumstances, become the *citoyen*. The hope is that the divergence between duty and desire could be, if not eliminated, at least reconciled.¹⁷⁴ For Hayek, on the contrary, there can be no such reconciliation, no negation of the negation over the horizon to ease fissures within the soul; there is only fidelity to the spontaneous order or else a relapse into primitive poverty.¹⁷⁵ For him, the split within the soul is never eliminated so much as it is repressed. This bleak picture, as Hayek himself observes, resembles the one Freud paints in *Civilization and Its Discontents*.¹⁷⁶ Humanity is forced to choose which set of impulses to reject and which to embrace, even though the choice cannot be based on firm knowledge. For Hayek, in the end, we must choose liberal civilization as a bloc, with all that it entails, because we are already civilized. There is no alternative.

Hayek's thought continually undergoes a strange reversal: the logic of his own ostensibly scientific narrative of social evolution, prompted in part by the search for the objective foundations of a liberal society, repeatedly carries him right back to something that resembles the old romantic problem of how to craft the true and authentic self, now re-imagined as the heroically self-disciplined liberal citizen, willing to face the traumas of modernity with a stiff upper lip. The difference is that this time the authentic self is the endlessly dynamic inhabitant of the spontaneous order, rather than *l'homme révolté*. In his romantic demand for the construction of such a world – a whole social order composed of citizens at home in their

¹⁷⁴ Gellner, Ernest, *Plough, Sword, and Book: The Structure of Human History*, Chicago, 1989, 31, 35.

¹⁷⁵ Hayek, Friedrich, *The Fatal Conceit*, Chicago, 1989, 63.

¹⁷⁶ *Ibid.*, 18.

very homelessness – and his failure to grasp the magnitude of this task, we can see the existential roots of Hayek’s slide into authoritarianism.

As Andre Górz has pointed out, the paradox of Hayek’s work is apparent in this disjuncture between science and romance.¹⁷⁷ It contains one of the most rigorous and thoughtful attempts at understanding the contours of liberal society, but at the same time it manages quite openly to turn liberalism into the crusading political ideology that critics like Marx, Carl Schmitt, and Karl Polanyi always accused it of being. Indeed, perhaps this very dissonance accounts for some of his current allure. Frederic Jameson once remarked in passing that no one could persuade him to see glamour or romance in Hayek’s work,¹⁷⁸ but this comment, typical of the Left’s dismissal of Hayek as a “reactionary,” fails to understand the source of his popular appeal.¹⁷⁹ Górz was closer to the truth when he indicated that the “abyss” which separates Hayek’s social science from his romantic ideology produces a cognitive dissonance that, far from being unpleasant, is seductive precisely because it is politically versatile. With his tenuous combination of traditionalism and utopian futurity, knowledge and crusade, Hayek seems to be a man for all seasons.

Despite his Marxist affinities, Górz would be the first to admit that Hayek’s social epistemology captures something vital about our current condition, and that it effectively undermines the classical, 19th century version of socialism.¹⁸⁰ But this is not the whole story. He also worries that the afterimage of Hayekian skepticism seems to preclude any kind of political aspiration, as well as any conscious responsibility for the future. Hayek’s proscription

¹⁷⁷ Gorz, André, *Critique of Economic Reason*, Verso, 1989, 128-9.

¹⁷⁸ Jameson, Fredric, *A Singular Modernity: Essay on the Ontology of the Present*, Verso, 2002, 2-3.

¹⁷⁹ Anderson, Perry, "The Intransigent Right at the End of the Century," *London Review of Books* 14.18 (1992): 7-11; Robin, Corey, *The Reactionary Mind: Conservatism from Edmund Burke to Sarah Palin*, Oxford, 2011, 115.

¹⁸⁰ Gorz, André, *Critique of Economic Reason*, Verso, 1989.

against social justice and his assertion that we do the most good for others only when we seek our own aims with our own knowledge creates an immense sense of *relief*. His agnostic insistence that there is no *summum bonum* to be sought removes a moral burden from our shoulders. The elitist rhetoric of Hayekian liberalism flatters the reader's self-image with its message that only the disciplined, reasonable individual will truly understand the need to submit to the strictures of the market in order to flourish.¹⁸¹ The idea that everyday life – even in its most toilsome aspects – involves participation in endless novelty and creativity is instinctively attractive, while the notion that this order is fragile gives us the lure of something vital to protect.

As an ideological trope, the idea of “spontaneous order” seems to reconcile a whole series of uneasy alternatives between which we would otherwise have to choose: self-certainty masquerades as skepticism; submission becomes autonomy; rigorous order becomes synonymous with the most profound creativity. In this way, through the ambiguous trope of spontaneous evolution, Hayek appears to spare us the burden of making the most difficult choices.¹⁸² Among his contemporary devotees, we witness an increasingly hyperbolic attempt to show that all values and political goals are fully compatible with a society based on markets and exchange. Thus, for example, the libertarian philosopher Jason Brennan has recently argued that individual choice within unconstrained markets provides the basis for “not just a utopia, but a meta-utopia in which you may choose the utopia that is best for you.”¹⁸³

¹⁸¹ “Progress at such a fast pace cannot proceed on a uniform front but must take place in echelon fashion, with some far ahead of the rest.” Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 96.

¹⁸² Muller, Jerry Z., “The Limits of Spontaneous Order: Skeptical Reflections on a Hayekian Theme,” In *Liberalism, Conservatism, and Hayek's Idea of Spontaneous Order*, Eds. Louis Hunt and Peter McNamara, Palgrave Macmillan, 2007, 197-207.

¹⁸³ Brennan, Jason, *Why Not Capitalism?*, Routledge, 2014, Ch. 4 “Why Utopia is Capitalist.”

But the appeal to an image of social order in which all good things are possible is an illusion because, as Isaiah Berlin observed, politics in pluralistic societies is characterized by disputes between people who disagree about the ends of life, about what is valuable and how to seek it.¹⁸⁴ To borrow another of Berlin's metaphors, opening one door (unconstrained-markets) may simultaneously close others (security, stability, solidarity, equality, etc.).¹⁸⁵ There is always a table of gains and losses. Like Berlin, I see no obvious way to avoid this dilemma, and doctrines which promise to supersede dissensus through the propagation of the one true doctrine risk exacerbating the underlying condition of disagreement.

Consequently, the need to arbitrate disagreement and negotiate trade-offs between incommensurable goods (some examples of which might include the contrasting values of individual and community, freedom and authority, stability and progress, or economic growth and ecological sustainability) appears unavoidable. But Hayek leaves us no alternative to his stark vision of minimally restricted markets and continual social dislocation. He has virtually nothing to say about what happens when various political and economic values come into conflict, about what mutual obligations exist in complex societies, or even about the different kinds of markets that a society might adopt. And, if anything, Hayek's free-market dogmatism only becomes more pronounced as his later works take on the trappings of a Darwinian evolutionary theory.

When reading Hayek, I am often reminded of a short remark near the end of *Democracy in America*, in which Tocqueville, reflecting on the effects of changing economic circumstances, writes that:

¹⁸⁴ Berlin, Isaiah, "Two Concepts of Liberty," In *The Proper Study of Mankind*, Farrar, Straus and Giroux, 1998, 191-242.

¹⁸⁵ Berlin, Isaiah, "From Hope and Fear Set Free," In *The Proper Study of Mankind*, Farrar, Straus and Giroux, 1998, 114.

When I see property become so mobile and the love of property so anxious and so ardent, I cannot prevent myself from fearing that men will arrive at the point of looking on every new theory as a peril, every innovation as a distressing trouble, every social progress as a first step towards revolution, and that they will altogether refuse to move for fear that they will be carried away.¹⁸⁶

Tocqueville's anxiety is well founded. Today Hayekian themes of spontaneity, the sanctity of choice and property, and the limits of epistemology are frequently used to close off debate and to restrict the boundaries of thought.¹⁸⁷ Did it have to turn out this way? I am not sure that it did. There are certain moments when we can sense intimations of other possibilities in Hayek's work, passages when he seems to recognize that new lines of inquiry might be needed that would complicate his understanding of self-regulating markets. His current advocates often overlook these reflections, meager though they are. For example, in *The Road to Serfdom*, he writes:

Nor is there any reason why the state should not assist...individuals in providing for those common hazards of life against which, because of their uncertainty, few individuals can make precautions...[W]here, in short, we deal with genuinely insurable risks, the case for the states helping to organize a comprehensive system of social insurance is very strong...there is no incompatibility in principle between the state's providing greater security in this way and the preservation of individual freedom.¹⁸⁸

In *The Constitution of Liberty*, he reiterates the same point in even stronger language:

The amount of relief now given in a comparatively wealthy society should be more than is absolutely necessary to keep [citizens] alive and in health....Once it becomes the recognized duty of the public to provide for the extreme needs of old age, unemployment, sickness...it seems an obvious corollary to compel [citizens] to insure against the common hazards of life.¹⁸⁹

¹⁸⁶ Tocqueville, Alexis De, *Democracy in America*, Trans. Harvey C. Mansfield and Delba Winthrop, Chicago, 2000, 616-7.

¹⁸⁷ For an example of this, observe the invocation of Hayekian themes in Draper, Robert, "Has the 'Libertarian Moment' Finally Arrived?" *The New York Times Magazine* 7 Aug. 2014.

¹⁸⁸ Hayek, Friedrich, *The Road to Serfdom*, Chicago, 1994, 144-4.

¹⁸⁹ Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 405-6.

These lines come from the middle period of Hayek's career, after he abandoned formal economics but before he embraced an evolutionary account of human history. Here all the issues of obligation, social stability, and political power that he tried to foreclose with a theory of impersonal economic processes threaten to creep back into his philosophy. But he never follows these leads, and the dominant trend of his thought is to preclude examinations that point in this direction.

As a result, whatever his contribution to the disciplines of economics and social science, as a style of popular rhetoric Hayekian liberalism is inherently utopian – just as Hayek intended, but in ways that he did not fully appreciate. In a crisis, the most dogmatic and least democratic tendencies of his doctrine threaten to bubble to the surface. And, we should ask, at what point has politics in the past century not faced some crisis?

Chapter 4: Transformation, Theodicy, Tragedy: Karl Polanyi and the Experience of Economics

“For many years the memory of those bleak months haunted me. I could not rid myself of the idea that by some weird chance I had possessed myself of Hamlet’s secret. I knew why he did not kill the King. I knew what it was he feared...In its turn [this knowledge] faded into a mere intellectual understanding. I...could only faintly remember what once had formed part of my being: Hamlet’s inhuman suffering.”

– Karl Polanyi¹

“The form in which the nascent reality came to our consciousness was political economy. Its amazing regularities and stunning contradictions had to be fitted into the scheme of philosophy and theology in order to be assimilated to human meanings.”

– Karl Polanyi²

1. Economics as Ethics

The work of the Hungarian social theorist and economic historian Karl Polanyi has gained renewed prominence since the financial crisis of 2008. As Gareth Dale notes, Polanyi is now one of the most cited figures in the social sciences.³ *The Great Transformation* (1944), his classic book on the socially embedded nature of markets and the costs of free-market utopianism, appears increasingly prescient after several decades of neoliberalism, crisis, and backlash. Nevertheless, the urge to read Polanyi in the light of current political crises has meant that the breadth of his thought is sometimes underappreciated.

Like Aristotle and Rousseau, two philosophers whom he read with special care, Polanyi is at heart an ethicist. With Aristotle, he wonders about human flourishing and the institutional

¹ Polanyi, Karl, "Hamlet," *The Yale Review* 43.March (1954): 333-7.

² Polanyi, Karl, *The Great Transformation: The Political and Economic Origins of Our Time*, Beacon, 2001, 88.

³ Dale, Gareth, *Karl Polanyi: The Limits of the Market*, Polity, 2012, 18.

context that supports a life well lived.⁴ Like Rousseau, he asks, “How can we be free, in spite of the fact of society?”⁵ This Rousseauian question encapsulates for him the central dilemma of modern politics because Polanyi sees the failure of modernity to arrive at a viable understanding of freedom as one source of the extreme ideologies that have wreaked havoc on politics and society over the past several centuries.⁶ What he calls free-market utopianism is linked to fascism and communism through a common failure to understand freedom that is itself a kind of moral blindness.⁷

Polanyi responds to the problem of freedom in modernity by crafting a novel ethical vision, at the heart of which is a tragic existential sensibility that acknowledges both the reality of society and the unique claims of the individual. Crucially, however, such acknowledgement remains sensitive to the irreducible gap between self and society and stops short of a call for full reconciliation, the desire for which is responsible for much of the volatility he finds in recent conceptions of freedom. This means that, unlike many liberal individualists, he does not envision society as a seamless extension of individual choice. It also means that, contra Rousseau and the communitarians who remain within his orbit, Polanyi abandons the search for a polity that, in the words of William E. Connolly, harmonizes citizen and society through a politics of civic virtue.⁸ Finally, he insists that theories of society based around the idea of impersonal order – such as the neoliberal theory of self-regulating markets⁹ – exacerbate the tension between self and society by losing sight of individual citizens and their concerns.

⁴ Polanyi, Karl, “Aristotle Discovers the Economy,” In *Primitive, Archaic, and Modern Economies; Essays of Karl Polanyi*, Anchor, 1968.

⁵ Quoted in Gale, Dareth, *Karl Polanyi: The Limits of the Market*, Polity, 2012, 31.

⁶ Polanyi, Karl, “Jean-Jacques Rousseau, Or Is a Free Society Possible,” *The New Hungarian Quarterly* 28.108 (1986).

⁷ Polanyi, Karl, *The Great Transformation*, 266.

⁸ Connolly, William E, *Identity/difference: Democratic Negotiations of Political Paradox*, Minnesota, 2002, 88.

⁹ Throughout the rest of this chapter I will frequently use the words “liberal” and “neoliberal.” As I understand these terms, liberalism is a broad school of political thought interested in, among other things, questions of liberty,

Instead, Polanyi negotiates these longstanding tensions by seeking to change the attachments and expectations that animate the utopian desire for reconciliation. He does this in part by merging an understanding of freedom and finitude that he draws from Christianity with his reading of certain tragic themes from Shakespeare. These views permeate his writings, and therefore, as I read him, the economic history that Polanyi presents in *The Great Transformation* is fully intelligible only after his views on freedom, tragedy, and mortality are taken into account. I also take seriously his claim to be providing an historical “genealogy.”¹⁰ This means, *inter alia*, that like the Nietzsche of *On the Genealogy of Morals*, Polanyi attempts to give an account of the psychological drives that buttress institutions and motivate ideational change.¹¹ Utopian liberalism for Polanyi functions like a symptom: it emerges with shocking force in the late 18th and early 19th centuries, and he attempts to discover the underlying source of the disruption in mutating patterns of thought and belief.

This chapter seeks to explore the interrelationship between Polanyi’s political economy and his existential sensibility. I do this in two phases. First, I briefly examine his call for an interpretive or, as he calls it, a “substantive” approach to social science. In essence, Polanyi believes that only an interpretive approach to the study of society can simultaneously understand social processes and create a theoretical basis for responsible political action. I show how this sensibility relates to *The Great Transformation* and demonstrate how Polanyi’s

justice, and the lawful restraint of political power. By contrast, neoliberalism is a more recent term. In the context of this chapter, it represents a style of thought that tends to view society through the prism of economic theory, akin to what Polanyi might call free-market utopianism or market fundamentalism. These two modes of thought are related, but they are not synonymous.

¹⁰ Polanyi, Karl, “Our Obsolete Market Mentality,” In *Primitive, Archaic, and Modern Economies: Essays of Karl Polanyi*, Anchor, 1968, 68.

¹¹ “The method is as follows: relating a concept to the will to power in order to make it a symptom of a will without which it could not even be thought (nor the feeling experienced, nor the action undertaken). This method corresponds to the tragic question. It is itself the *tragic method*.” Gilles Deleuze, *Nietzsche and Philosophy*, Trans. Hugh Thompson, Columbia, 2006, 78.

work can be situated alongside Nietzsche's genealogy and Max Weber's sociology of religious life.

The second phase constitutes the core of the chapter. I argue that Polanyi provides us with a genealogy of economics, that is, a historical reconstruction of the discipline designed to show how deeply the utopian temptation has become embedded in the study of economics. In brief, he claims that the failure to understand forms of mass poverty that arrive with industrial capitalism leads to a cycle of utopian political projects that have one thing in common: they attempt to locate solutions to some of the most fundamental problems of human existence, from suffering to questions of freedom and obligation, in economic explanations of production and exchange.

Finally, in the conclusion, I examine Polanyi's tragic vision as an alternative disposition toward modern political and economic crises, one that provides a framework for reform but resists the urge toward utopian solutions. I contrast his reading of *Hamlet* to Marx's use of Shakespeare, and argue that, for Polanyi, tragedy revolves around the attempt to acknowledge openly the irreducible elements of autonomy (democracy, individual freedom) and heteronomy (social influence, authority, fragility, mortality) in human life.

2. Market Utopianism and Polanyi's Critique of Formalism

Polanyi was a constant advocate throughout his life for what he called a “substantive” reconstruction of social theory, as opposed to what he considered the overly “formal” or external approach that he saw infecting a range of disciplines.¹² Formalism, as Polanyi conceives it, embraces a methodology akin to Newtonian natural science: impersonal, value neutral, and ahistorical. In the early 20th century, this style of thinking was prominent in Germany and Central Europe, where a diverse set of neo-Kantian thinkers were producing creative work across the philosophy of science and the social sciences. In social science, for example, the influence of neo-Kantian formalism can be seen in the work of such luminaries as Georg Simmel and, to some degree, Max Weber, with their varied attempts to craft definitions and value-free descriptions of the basic modes of social experience.¹³

More importantly, a strain of neo-Kantianism also served to underpin the classical liberal approach to economics associated with Carl Menger and Ludwig von Mises, members of what is known today as the “Austrian School” of economics and forerunners of contemporary neoliberalism.¹⁴ According to Lawrence H. White, “[As] a neo-Kantian, [Mises] denied the possibility of arriving at laws by induction and defended the possibility of a purely *a priori* system of economic theory which he labeled ‘*praxeology*.’ ”¹⁵ On this view, a cleanly demarcated sphere of social interaction called “the economy” just *is* its own foundation (or

¹² Stanfield, J.R, "Karl Polanyi and Contemporary Economic Thought," Review of Social Economy 47.3 (1989): 266-79; Ozel, Huseyin, *Reclaiming Humanity: The Social Theory of Karl Polanyi*, Diss. The University of Utah, 1997, <http://content.lib.utah.edu/cdm/ref/collection/etd2/id/1928>.

¹³ Outhwaite, William, "Ch. 2 The Philosophy of Social Science," In *The Blackwell Companion to Social Theory*, Ed. Bryan S. Turner, Blackwell, 2000. 42-57.

¹⁴ For Polanyi's evaluation of Menger see Polanyi, Karl, "The Place of Economies in Societies," In *Primitive, Archaic, and Modern Economies: Essays of Karl Polanyi*, Anchor, 134.

¹⁵ White, Lawrence H, "Methodology of the Austrian Economists, Ludwig Von Mises," *The Ludwig Von Mises Institute*, <http://mises.org/mofase/ch4.asp>, 07 Sept. 2014.

rather, has its foundation in *a priori* rules of human action).¹⁶ Robert Heilbroner was therefore speaking literally when he coined the term “transcendental capitalism” to describe such theories.¹⁷

Polanyi suggests that the urge to discover unchanging, impersonal laws of social order – a desire he locates at the heart of the Austrian free-market project – is the utopian temptation *par excellence*.¹⁸ As Ira Katznelson has observed, these concerns place him in the company of a number of writers during and after the Second World War who share a common attempt to discover the intellectual foundations of modern political extremism.¹⁹ However, Polanyi was one of the few to trace the source of the disruption back to the theory of self-regulating markets. Consider for a moment Isaiah Berlin’s characterization of modern utopianism:

Utopias...are static. Nothing in them alters, for they have reached perfection: there is no need for novelty or change....The assumption on which this is based is that men have a certain fixed, unfaltering nature, certain universal, common, immutable goals....The very idea of universal fulfillment presupposes that human beings as such seek essential goals, identical for all, at all times, everywhere.²⁰

Berlin’s understanding of utopia, although it is quite similar to Polanyi’s, is often mobilized against leftists and other reformers who call for any significant reorganization of society. But, as Fred Block and Margaret Somers point out, Polanyi turns the rhetorical tables by arguing that neoliberal advocates of unrestrained markets are the true utopians because they long to

¹⁶ Polanyi mentions Mises only briefly in *The Great Transformation*, but the two also engaged during the so-called “calculation debate” about whether a planned economy can accurately gather and calculate economic information. See Dale, Gareth, *Karl Polanyi: The Limits of the Market*, Polity, 2012, 20-23. Some of Polanyi’s further reflections can be found in a set of unpublished notes titled “Pure Economic Theory.” See Polanyi, Karl, *Notes: Pure Economic Theory*, 1924-7, Con. 22.02, Concordia University: The Karl Polanyi Institute of Political Economy.

¹⁷ Heilbroner, Robert L., “Transcendental Capitalism,” In *Between Capitalism and Socialism: Essays in Political Economics*, Vintage, 1970.

¹⁸ Polanyi, Karl, *The Great Transformation*, 219-21.

¹⁹ Katznelson, Ira, *Desolation and Enlightenment: Political Knowledge after Total War, Totalitarianism, and the Holocaust*, Columbia, 2003.

²⁰ Berlin, Isaiah, *The Crooked Timber of Humanity*, Knopf, 1992, 20-1.

discover a universal behavioral structure, reinforced by the political and legal order, to which all citizens must conform. He argues that much of the turmoil of 20th century politics results from an escalating cycle of failed attempts to realize programs of impersonal economic order.

Whereas Polanyi is essentially a humanist who approaches politics via a conception of the mutual obligations that underpin human flourishing, von Mises views politics as derivative from the impersonal order of self-regulating markets.²¹ This means that, for von Mises, a social scientific theory of what is natural or politically possible limits in advance the claims that can be made on behalf of ethics. However – and this is the point of Polanyi’s critique – impersonal theories fail to take account of the experiences of human agents and are therefore deeply misleading. Because they lose sight of the variety of human motivations and the complexity of social interaction, impersonal theories often oversimplify political life and minimize the trade-offs it entails. Moreover, such theories tend to overlook impending crises until they can no longer be ignored; one reason for this is that without some recourse to the real experiences of citizens and communities, it is difficult to fully evaluate the consequences of policies or gauge likely reactions to social change.²² By closing itself off from dissenting voices, impersonal theory too easily becomes locked in a blind loop of self-justification.

For example, one contemporary libertarian, the economist Bryan Caplan, argues that free-market economics provides true knowledge about the world that all rational and non-

²¹ Dale, Gareth, *Karl Polanyi: The Limits of the Market*, Polity, 2010, 31.

²² To point to one recent example, not long ago the development economist Angus Deaton acknowledged that his longstanding appreciation of globalization was flawed because he underestimated the overall costs of such policies, including economic volatility and increased inequality, problems that tend to hit the poor and/or uneducated especially hard. To his credit, Deaton admits that information and first-person accounts about the costs of globalization have long been available, but that economic theory tended to shut down criticism from alternative perspectives. This is one example of the problems that can result when theory is detached from experience. See Deaton, Angus, "Rethinking Robin Hood, " *Project Syndicate*, 13 June 2016, <https://www.project-syndicate.org/commentary/globalization-hurts-poor-in-rich-countries-by-angus-deaton-2016-06>, accessed 8/27/16.

biased citizens should agree upon.²³ One of his favorite examples of the gap that separates expert opinion from the distorted views of the public has to do with protectionism. Since free-market economics supposedly shows that regulations designed to protect domestic industries are inefficient compared to the gains from trade, Caplan reasons, the many citizens who support protectionist measures must be biased, ignorant, or irrational.²⁴ The goal, then, should be to place such decisions in the hands of knowledgeable economic experts and to minimize the amount of popular input, which is likely to be misinformed.²⁵ However, beyond the contestable nature of the theory itself, Caplan fails to appreciate that the complexity of society means clear-cut outcomes are rare, trade-offs are often unavoidable, and experts with deep knowledge of a single field are not always well positioned to understand the other factors that affect a given situation. Consider the example of a somewhat inefficient steel mill. Even if we accept that a tariff designed to protect the mill is inefficient, there may be other variables to consider. Perhaps the well-being of this community is an important value in its own right, worthy of protecting even at the cost of minor losses in efficiency. Maybe the loss of good jobs will have unanticipated consequences, such as a long-term local recession, social dislocation, or an epidemic of crime and drug abuse. Alternatively, it may be the case that the loss of a domestic steel supplier represents a strategic vulnerability from the perspective of national defense. Finally, maybe Caplan is correct and the gains to efficiency outweigh other considerations in this instance. It seems likely that no single theory exists that can provide an Archimedean point from which to evaluate these incommensurable goals.

²³ Caplan, Bryan, *The Myth of the Rational Voter: Why Democracies Choose Bad Policies*, Princeton, 2007.

²⁴ Ibid., 2.

²⁵ Ibid., 180-1.

The preceding argument illustrates some of the epistemological shortcomings of formalistic theories. But Polanyi also offers a critique of formalism that revolves around questions of ontology, or, to put it more simply, questions about the fundamental composition of the world. He argues that, whereas impersonal theories such as free-market liberalism often envision society as an harmonious order of steady growth and evolution,²⁶ the world is in fact much more volatile: contingent events periodically act as “shocks to the system,” creating moments of unexpected novelty when radical change arrives in punctuated bursts.²⁷ The problem is that, because impersonal theories tend to focus on a set of established variables or principles, they often overlook the initial signs of change or fail to appreciate the full significance of emerging trends. In the 1940s, for example, Polanyi claimed that liberals had yet to grasp the magnitude of ecological change underway as a result of the Industrial Revolution and the advent of international markets. Climate change, deforestation, and soil erosion were emergent forces that had the capacity to upend everything from established methods of agriculture to patterns of democratic politics, and yet orthodox economic thought largely ignored the impact of these phenomena for decades because they seemed to involve something other than the analysis of markets.²⁸ Greater sensitivity to the unexpected allows one to be more attuned to the possibility of radical change; however, this requires a more complicated and precarious vision of the world than formalistic theory usually allows.

Because it often engenders the illusion of value-free objectivity and a sense of self-certainty, the theory of free-markets can degenerate into a utopian ideology, dogmatically held

²⁶ “Harmony was inherent in economy [according to 19th century liberalism]...it was said, the interests of the individual and the community being ultimately identical...” Ibid., 89.

²⁷ For instance, he argues that the emergence of national markets in Europe was characterized by “an abruptness disconcerting to the dogmatic evolutionist.” Ibid., 67.

²⁸ Ibid., 193.

and blindly pursued. This ideology, Polanyi charges, has provided Western governments over the last two centuries with reasons to ignore the claims and protestations of citizens during periods of rapid change; the result has been moments of popular reaction against the volatility that often accompanies markets.²⁹

His charge that economic liberalism harbors a utopian urge looks increasingly persuasive as time goes on. One measure of this is the way that writers whose political allegiances differ have come to accept a viewpoint that Polanyi pioneered. For example, the late Robert Conquest, a conservative historian and Thatcherite who cannot be dismissed as temperamentally hostile to capitalism, arrives at a reading of the past few centuries that largely confirms Polanyi's critique. In his book *Reflections on a Ravaged Century*, Conquest observes that "advocates of free-market industrialization" in late 18th century England were fascinated by the same sort of abstract social theory and "excess ideation" that would fuel fascism and Soviet communism in later centuries. "An extreme anti-regulatory theory was widely held and inflicted," he says, at the cost of many lives and much avoidable suffering, until a reform coalition pushed a package of regulations through Parliament.³⁰ This sounds remarkably similar to the history recounted in *The Great Transformation*.

The intent of Polanyi's critique is therefore twofold. First, it aims to show how formalism in social science is often allied to anti-democratic political projects. At stake in this methodological argument is an academic question about the possibility of discovering economic laws *a priori*, seen in separation from history and institutions. Second, his advocacy for an interpretive method is one aspect of a broader project to explicate a social theory that retains space for meaning, democratic politics, and cooperative decision making.

²⁹ Ibid., 79.

³⁰ Conquest, Robert, *Reflections on a Ravaged Century*, Norton, 2000, 5.

For this reason, the call for a substantive approach to the study of society is a theme that reoccurs throughout his books and essays.³¹ He believed that the way agents feel about and understand their lives has the power to inflect social processes in new directions because experience is a crucial component in what an event *is*.³² With this focus on lived experience, Polanyi draws upon a phenomenological and existential current of thought that also circulated through the German speaking world in the early 20th century, due in large part to the legacy of philosophers such as Nietzsche and Dilthey.³³ (His brother, the philosopher of science, Michael Polanyi, stressed similar themes of the personal and tacit character of scientific research.)³⁴

This substantive sensibility forms the backbone of a criticism that Polanyi applies to utilitarianism in ethics, Marxism and liberalism in economics, and positivism in physical science.³⁵ For him, each of these distinct schools of thought shows a disturbing tendency to overlook the reality of human experience. As a result, they seem to preclude any creative role for human agency, making social processes look highly deterministic and leaving little conceptual space for freedom or responsibility. In short, epistemology has political consequences. The danger is that by helping to give their respective subject matters a veneer

³¹ For instance, Polanyi praises the social philosophy of Rousseau because “[T]here was a substantive content to his system which transcended... formal limitations.” Polanyi, Karl, “Jean-Jacques Rousseau, Or Is a Free Society Possible,” *The New Hungarian Quarterly* 28.108 (1986): 119.

³² Charles Taylor provides an excellent example of this phenomenon in *Modern Social Imaginaries*. Democratic protests, he observes, depend on an implicit self-understanding without which the act would not be possible: “Let’s say we organize a demonstration. This means that this act is already in our repertory. We know how to assemble, pick up banners, and march. We know that this is meant to remain within certain bounds, both spatially (don’t invade certain spaces) and in the way it impinges on others (this side of a threshold of aggressivity, no violence). We understand the ritual.” Taylor, Charles, *Modern Social Imaginaries*, Duke, 2004, 26.

³³ Craig, Edward, *Routledge Encyclopedia of Philosophy* vol. 4: *Genealogy to Iqbal*, Routledge, 1998, 570.

³⁴ Polanyi, Michael, *The Tacit Dimension*, Chicago, 2009. Ironically, Michael Polanyi was a conservative liberal with connections to some of his brother’s fiercest opponents. He was present, along with Hayek and von Mises, at the famous “Colloque Walter Lippmann” held in Paris in 1938. This group would later go on to found in 1947 the Mount Pelerin Society, the organization widely credited with originating 20th century neoliberalism. See Jones, Daniel Stedman, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics*, Princeton, 2012, 6.

³⁵ Dale, Gareth, *Karl Polanyi: The Limits of the Market*, Polity, 2010, 7-10, 196; Block, Fred L., and Margaret R. Somers, *The Power of Market Fundamentalism: Karl Polanyi's Critique*, Harvard, 2014, 99.

of unassailable objectivity and necessity, formalistic theories engender an ethos of fatalism and empower experts at the expense of democratic forms of decision making.³⁶ By contrast, Polanyi's writings strive to understand society from the viewpoint of actors themselves, with the effect that their responses, beliefs, and reactions become integral aspects of events.³⁷ On this view, individuals are embedded in broader meanings and shifting normative contexts that set the contours of human action. The result is that the goal of an improved theory of society, organized around the concept of experience, and the possibility of a more democratic ethos find renewed compatibility in Polanyi's work.

3. *The Great Transformation: The Need for a Tragic Interpretation*

The broad strokes of Polanyi's argument are well known. He traces the theory of self-regulating markets to its origin in 18th century England, where a diverse group of writers and intellectuals were struggling to understand the social dislocation brought on by industrialization.³⁸ He argues that the impact of new machines, moving in an endless cycle of repetitive motions, combines with the naturalistic perspective of the emerging biological sciences to create fertile ground for thinking about self-regulating systems.³⁹ It is no coincidence, he suggests, that many of the innovators behind theories of economic self-regulation – Mandeville, Quesnay, and Joseph Townsend – had extensive medical training.⁴⁰ In their eye's, the economy will become something like a bodily organ, and the organ

³⁶ Block and Somers note that suspicion of expert technocracy is one major difference between Polanyi and other heterodox economists such as Keynes. See Block, Fred L., and Margaret R. Somers, *The Power of Market Fundamentalism: Karl Polanyi's Critique*, Cambridge, 2014, 26.

³⁷ For example, Polanyi argues that the practice of gambling in a society does not automatically indicate the existence of an acquisitive impulse. The situation must be interpreted in order to understand the motives of actors, which may include honor, play, or public display. See Dale, Gareth, *Karl Polanyi: The Limits of the Market*, Polity, 2010, 17.

³⁸ Polanyi, Karl, *The Great Transformation*, 92-3.

³⁹ Ibid., 43.

⁴⁰ Polanyi, Karl, "The Place of Economies in Societies," *Primitive, Archaic, and Modern Economies; Essays of Karl Polanyi*, Anchor, 1968, 129.

something like a machine, characterized by simple laws that operate with impersonal regularity. As this crude naturalism gains prominence, it displaces the older view of the economy as a set of moral relationships and obligations.⁴¹

It is one of the virtues of Polanyi's interpretative method that it allows us to trace the process through which changing social conditions become intertwined with new modes of thought and belief. He provides vivid descriptions of the way that early industrialism created unemployment, idleness, and social dislocation on an unprecedented scale. Much like the suffering of Job, mass poverty was all the more shocking because it seemed to lack a place within the accepted moral scheme. Traditional natural law conceptions of the economy allowed for the centrality of labor, even as they stressed the obligation of the wealthy to aid those in need.⁴² These ideas fit into a broad conception of Christian charity which, if it was not always followed closely, nevertheless commanded wide allegiance. At this moment in time, however, long-held beliefs were breaking down in the midst of growing numbers of able-bodied workers without any visible means of employment, coupled with the emergence of a class of profit-seeking entrepreneurs. "Neither the new wealth nor the new poverty was quite comprehensible."⁴³ For all these reasons, the last quarter of the 18th century was a fertile and uncertain moment, ripe for new ideas.⁴⁴

Even before justice can be sought, suffering itself must be made intelligible and given a meaning that can serve as a basis for redress.⁴⁵ As George Steiner observes, "Job the Edomite

⁴¹ For one influential account of the norms that underpin traditional economies, see Scott, James C., *The Moral Economy of the Peasant: Rebellion and Subsistence in Southeast Asia*, Yale, 1976.

⁴² Pope, Stephen J., "Poverty and Natural Law," Ed. William A. Galston and Peter H. Hoffenberg, *Poverty and Morality: Religious and Secular Perspectives*, Cambridge, 2010, 265-84.

⁴³ Polanyi, Karl, *The Great Transformation*, 115.

⁴⁴ Muller, Jerry Z., *Adam Smith in His Time and Ours: Designing the Decent Society*, Free Press, 1993, 75.

⁴⁵ Peter L. Berger claims that "[An] implicit theodicy of all social orders...antedates any legitimations, religious or otherwise. It serves, however, as the indispensable substratum on which later legitimating edifices can be constructed." Berger, Peter L., *The Sacred Canopy*, Doubleday, 1967, 54.

does not cry out for justice...Job the Edomite cries out for sense...He demands that God make sense of himself.”⁴⁶ Similarly, Polanyi notes that making sense of the question “Where do the poor come from?” became an overriding preoccupation of intellectual life during the industrial age.⁴⁷ This question fused into a single economic problem both the need for understanding and the widespread anxiety in the face of social upheaval. Like “theological questions,” he declares, “[v]iews on the poor mirrored more and more views on existence as a whole.”⁴⁸ The problem was: how to make suffering intelligible, and therefore manageable and livable? These two components – the nascent idea of self-regulation and the quasi-theological demand that industrial poverty be made intelligible – merge to produce a potent new political discourse: utopian liberalism.⁴⁹ Polanyi therefore suggests that the theory of self-regulating markets is best understood as an answer to an existential need,⁵⁰ rather than as a discovery of economic laws that had been there all along.⁵¹

The sociologist Anthony Giddens has pointed to a process that he calls the “double hermeneutic,” whereby social theories, once they are popularized and widely dispersed, alter the behavior of the very agents they intend to study, thereby leading to surprising outcomes that exceed the boundaries of the initial theory.⁵² Similarly, Polanyi shows that the theory of impersonal markets opened a novel rhetorical space that justified new kinds of political action. Above all, the new discourse paved the way for the liberal projects of the 19th and 20th centuries that used the power of the state to expand and support international markets.⁵³ Land, labor, and

⁴⁶ Steiner, George, *Grammars of Creation*, Faber and Faber, 2001, 36.

⁴⁷ Polanyi, Karl, *The Great Transformation*, 94.

⁴⁸ Ibid., 110.

⁴⁹ Ibid., 141-58.

⁵⁰ Block, Fred L., and Margaret R. Somers, *The Power of Market Fundamentalism: Karl Polanyi's Critique*, Harvard, 2014, 89-90.

⁵¹ Polanyi, Karl, *The Great Transformation*, Ch. 10. “Political Economy and the Discovery of Society.”

⁵² Giddens, Anthony, *The Consequences of Modernity*, Stanford, 1990, 15.

⁵³ Polanyi, *The Great Transformation*, 60.

money – what Polanyi calls “fictitious commodities”– were drawn by the state into markets, first national and then international.⁵⁴ As we have already observed, Polanyi views this project as a utopian undertaking that wreaks devastation on the moral foundation of societies and the environment.⁵⁵ Eventually, widespread destruction calls forth a protective “double movement,” a collective response through which society attempts to recapture the state and its institutions in order to secure protection from the ravages of the market.⁵⁶ During the 20th century the double movement takes two primary forms: social democracy and fascism.⁵⁷ Polanyi ends *The Great Transformation* with a call for the renewal of social democracy and the rejection of utopian creeds.

Although this short summary of Polanyi’s argument is mostly conventional, it is important to point out how a tragic reading differs from what I call the “orthodox” reading of *The Great Transformation*. Too many current interpretations of Polanyi focus on his institutional theory or his historical narrative to the exclusion of all else.⁵⁸ The result is that Polanyi’s account of the psychology of social change is sometimes overlooked and key arguments are therefore apt to be misunderstood. For example, the orthodox reading tends to see the rise of free market thinking as a simple mistake or an ideology in the service of an elite political project.⁵⁹ This manner of thinking insinuates that, once Polanyi and others have demystified free-market utopianism and shown it to be an impossible political ideal, the liberal

⁵⁴ Ibid., 75-6.

⁵⁵ “Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure...Nature would be reduced to its elements.” Ibid., 77.

⁵⁶ Ibid., 79.

⁵⁷ “Fascism, like socialism, was rooted in a market society that refused to function.” Ibid., 248.

⁵⁸ A quick review of the secondary literature on Polanyi will show that the bulk of it is concerned with his institutional theory and the idea that the market is “embedded” in society. For representative examples, see Gemici, Kurtulus, “Karl Polanyi and the Antinomies of Embeddedness,” *Socio-Economic Review* 6.1 (2008): 5-33; Cangiani, Michele. “Karl Polanyi's Institutional Theory: Market Society and Its “Disembedded” Economy,” *Journal of Economic Issues* 45.1 (2011): 177-98.

⁵⁹ Johnson, Pauline, “The Embedded Market and Ideology Critique,” *Critical Horizons* 12.3 (2011): 302-22.

project should simply wither away. It therefore comes as something of a shock when free-market liberalism refuses to go quietly into the night. However, Polanyi does not describe such liberal utopianism as an “ideology” but as a “creed.”⁶⁰ The difference is enormous. By insisting on the deep human need to make suffering intelligible, Polanyi also offers an explanation for the *desire to believe* that makes liberal utopianism attractive in the first place. It is not enough to simply debunk *laissez-faire* economic theory. One must also foment a new sensibility that enables alternative schemes for coping with the problem of suffering. To renew politics, one must reconcile, as he puts it, “knowledge of death, knowledge of freedom, [and] knowledge of society.”⁶¹ Hence his detailed reflections on tragedy and religion.

Another common reading tends to see Polanyi merely as one more critic of capitalism.⁶² On this view, the social ills described in *The Great Transformation* stem from capitalism as a mode of production and exchange, and the implicit assumption is that Polanyi points the way towards a post-capitalist society in which these problems will be transcended. Polanyi becomes, on this interpretation, a sort of ersatz Marx.⁶³ This reading is not false so much as it is incomplete. “What appears to be a problem of capitalism,” Polanyi once wrote, “is in reality the far greater problem of industrial civilization.”⁶⁴ For him, it is part of the tragedy of contemporary life that even after the destructive tendencies of capitalism and free-market radicalism have been overcome, humanity remains bound up in the more profound process of industrialism. The tensions inherent in the need to balance individual freedom and the reality

⁶⁰ Polanyi, *The Great Transformation*, 141.

⁶¹ Polanyi, *The Great Transformation*, 267.

⁶² See Lacher, Hannes, “The Politics of the Market: Re-reading Karl Polanyi,” *Global Society* 13.3 (1999): 313-26.

⁶³ Selwyn, Benjamin, and Satoshi Miyamura, “Class Struggle or Embedded Markets? Marx, Polanyi and the Meanings and Possibilities of Social Transformation,” *New Political Economy* 19.4 (2014): 639-61.

⁶⁴ Polanyi, Karl, “Our Obsolete Market Mentality,” In *Primitive, Archaic, and Modern Economies: Essays of Karl Polanyi*, Anchor, 1968, 76.

of society – a dilemma that was also at the heart of Rousseau’s thought – remain after free-market utopianism has been abolished.

This is all to say that several prominent views of Polanyi err because they fail to take seriously his tragic vision of the human predicament as embedded in a complex world, a world of real suffering that is inherently beyond our ability to master.⁶⁵ The temptation is always to reduce Polanyi to an empirical social scientist, but his intentions go deeper than that. In order to make a tragic conception more intelligible vis-à-vis economics, it is instructive to see how Polanyi’s project has precedents in the works of Nietzsche and Weber.

4. Precursors: Nietzsche, Weber, and the Theology of Economic Life

Polanyi’s intellectual influences are eclectic. However, for our purposes, coming to terms with the influence of Max Weber is indispensable. That Polanyi was concerned to take account of Weber is no secret.⁶⁶ His ideas, for instance, on the role of the state in the expansion of markets are presaged in Weber.⁶⁷ “For economic anthropology,” Polanyi once observed, “no [other discipline] is more relevant than the sociological approach...rather along the lines of Weber.”⁶⁸ As Block and Somers observe, Polanyi’s work builds on Weberian social science in the way that it examines “different social arrangements that generate different belief systems with different structural possibilities.”⁶⁹

⁶⁵ On these themes I owe a great deal to Connolly, William E., *A World of Becoming*, Duke, 2011.

⁶⁶ Polanyi, Karl, *The Great Transformation*, 48.

⁶⁷ In fact, a very interesting debate could be had between Weber and Polanyi on just this point, because Weber does Polanyi’s historicizing account of the emergence of markets one better by claiming that the use of state power to create markets is a very common pattern in history writ large, thus calling into question Polanyi’s theory that the 16th century English state’s use of power to open a national market was somehow abnormal or artificial. See Weber, Max, “The Economic Function of ‘Imperialism,’” In *From Max Weber: Essays in Sociology*, Ed. Hans Heinrich Gerth and C. Wright Mills, Oxford, 1946, 162.

⁶⁸ Quoted in Dale, Gareth, *Karl Polanyi: The Limits of the Market*, Polity, 2010, 109.

⁶⁹ Block, Fred, and Margaret Somers, “Beyond the Economistic Fallacy: The Holistic Science of Karl Polanyi,” In *Vision and Method in Historical Sociology*, Ed. Theda Skocpol, Cambridge, 1984, 62.

Weber is reported to have once remarked that the measure of a thinker is their ability to grapple with the best insights of Marx and Nietzsche.⁷⁰ Whether such a delicate synthesis can actually be accomplished is a troublesome question in its own right, but it is reasonably clear how Weber interpreted the task. Simply put, he sought to find a connection between economic and historical development and the various forms of religious and otherworldly attachments that Nietzsche calls “metaphysical faiths.”⁷¹

Nietzsche believed that to understand human action the philosopher must do more than just probe the reasons agents give.⁷² If one accepts that life – and its immense array of subconscious biological systems – is a precondition for thought, self-consciousness loses some of the priority that modern philosophy often accords it.⁷³ Reason tends to arrive – as Marx might say – *post festum*, and not uncommonly in the form of rationalizations for actions that have already taken place. Instead, one must understand the historical and existential source of the attachments and desires that motivate agents, or what Nietzsche sometimes referred to as a “metaphysical need.”⁷⁴ The philosopher must read thought in the service of life,⁷⁵ attuned to the ways that thinking is oriented by an array of biological and psychological drives.⁷⁶

To varying degrees, these drives are obscured from consciousness.⁷⁷ For example, the way that resentment can infiltrate a religion of universal love may not be transparent, either to

⁷⁰ Löwith, Karl, *Max Weber and Karl Marx*, George Allen & Unwin, 1982, 2-3.

⁷¹ Nietzsche, Friedrich, *The Gay Science*, Trans. Walter Kaufmann, Vintage, 1974, 283.

⁷² Ibid., p. 206; Schacht, Richard, *Nietzsche*, Routledge, 1983, 25.

⁷³ Nietzsche, Friedrich, *The Will to Power*, Ed. Walter Arnold Kaufmann, Random House, 1967, #478.

⁷⁴ Ibid., #570-586.

⁷⁵ Ibid., #587-593.

⁷⁶ Deleuze provides an excellent summation of Nietzsche’s approach. “Transcendental philosophy discovers conditions which still remain external...We require a genesis of reason itself, and also a genesis of the understanding and its categories: what are the forces of reason and of the understanding? What is the will which hides and expresses itself in reason? What stands behind reason, in reason itself? In the will to power and the method which derives from it Nietzsche has at his disposal a principle of internal genesis.” See Deleuze, Gilles, *Nietzsche and Philosophy*, Columbia, 2006, 91.

⁷⁷ Nietzsche, Friedrich, *On the Genealogy of Morals*, Trans. Carol Diethe, Cambridge, 2006, 3.

believers themselves or to an interpreter who takes their self-justifications at face value. The meaning of the religious act must be interpreted if it is to be understood; that is, the desire or need that the belief addresses must be excavated and contextualized. Belief in a given doctrine takes on different modalities depending on whether it is driven by anxiety, the need to belong, or an impassioned faith. This same dynamic holds for other activities. Nietzsche claims that academic and scientific pursuits are often characterized by a will-to-know that is both a demand that the universe be made intelligible and a belief that an intelligible structure is indeed accessible in principle, generally using tools that the researcher already commands (empirical science, mathematics, critical philosophy, etc.).⁷⁸ The scientific enterprise (at least as it existed in the 19th century) only becomes possible given an essentially theological faith that the universe has an intelligible structure that also happens to be amenable to the powers of the human mind. This is why even a dogmatic positivist like Comte wrote that a metaphysical religion is a necessary prerequisite for science.⁷⁹ It is the faith that makes inquiry reasonable in the first place. The difference is that, whereas the positivist thinks the erroneous faith falls away once the facts have been discovered, Nietzsche believes that some faith or other always sustains and motivates knowledge.

The presupposition that the universe has a given form, composition, or meaning is, for Nietzsche, virtually the definition of a theology. Weber adopts much the same conception.⁸⁰ The crucial point to note is that theology is defined not simply by its reference (e.g. to the transcendent, to God, the Absolute, etc.) but rather by its *function* as a tissue of presuppositions and attachments that serve to unify and give value to human experience. Even after explicit

⁷⁸ Nietzsche, Friedrich, *The Gay Science*, Trans. Walter Kaufmann, Vintage, 1974, p. 287-8.

⁷⁹ Comte, Auguste, *Introduction to Positive Philosophy*, Ed. Frederick Ferré, Hackett, 1988.

⁸⁰ Weber, Max, "Science as a Vocation," In *From Max Weber: Essays in Sociology*, Ed. Hans Gerth and C. Wright Mills, Oxford, 1946, 153.

reliance on religious premises declines (after “the death of God”) the theological function turns up in disparate modes of thought – from science to economic doctrines – that claim to provide an account of the most basic structures of the world.⁸¹ The task of the Nietzschean psychologist, then, is to probe the ways thought and action remain animated by what are essentially theological presuppositions and to trace the consequences of different metaphysical faiths. (Of course, this activity is further complicated, as Nietzsche knew, by the fact that the genealogist also brings a faith to bear on such interpretations.)

Weber’s most famous attempt at marrying a Nietzschean psychology of drives to Marx’s interest in the dynamics of historical development is found in his book *The Protestant Ethic and the Spirit of Capitalism*.⁸² Weber argues that trends in Reformed Christianity, particularly Calvinism, created a tremendous psychological anxiety in believers. Calvinist theology, which insists upon strict pre-determination and salvation for only the elect, seems to place the soul of believers in a state of total dependence on the mysterious grace of God, leading to a situation in which the status of one’s salvation is constantly open to doubt.⁸³

Weber claims that the situation of existential limbo Calvinism produced was inherently unsustainable. Ordinary believers were compelled to flee doubt and seek more reliable indications of salvation. For many Protestants, such signs of salvation come increasingly to be identified with success in their worldly occupation or “calling.”⁸⁴ That is, success in business becomes one indication of salvation, giving believers a reason to be especially diligent in their business concerns.⁸⁵ The Protestant ethic of self-denial, moderation, and rational calculation is

⁸¹ Weber, Max, “Religious Ethics and the World: Economics,” In *Economy and Society*, Ed. Guenther Roth and Claus Wittich, Vol. 1, California, 1978, 576-590.

⁸² Weber, Max, *The Protestant Ethic and the Spirit of Capitalism*, Trans. Talcott Parsons, Routledge, 2001.

⁸³ Ibid., 60.

⁸⁴ Ibid., 40-1.

⁸⁵ Ibid., 74.

precisely the set of traits required for success in an economic calling, particularly during the early stages of capitalist accumulation. The Bible had advised Christians not to store up treasures here on earth, but to store them up in heaven (Matthew 16: 19-20). For the new Protestant strain, the old impetus is reversed and earthly treasures come to reinforce heavenly aspirations. Once the new capitalist system is in place, it runs by itself, freed from its older subjective moorings. It presents itself to contemporary individuals as “an unalterable order of things.”⁸⁶

The details of Weber’s view of the protestant ethic and the many criticisms of his theory need not detain us here.⁸⁷ Weber is important because he plausibly connects how forms of economic thought and action resonate to existential belief, attachment, and anxiety.

However, there are two additional points about Weber’s theory that I would like to stress because they relate closely to my reading of Polanyi. First, the *Protestant Ethic* was simply the inaugural study of Weber’s examination of the great salvation religions that erupted into history during what has come to be called, following Karl Jaspers, the Axial Age (800 – 200 B.C.).⁸⁸ Weber has book length studies of Judaism, as well as of the religions of China and India.⁸⁹ (Strangely, he has comparatively little to say about Islam.) He finds that each salvation faith manages to institute a more or less rigorous theological systematization in the face of the existing blend of amorphous, local polytheisms. Again, we see that theology in Weber’s sense implies the structuring of world and cosmic intelligibility. More importantly, the salvation faiths all attempt to formulate an explicit theodicy (a justification of evil or extreme undeserved

⁸⁶ Ibid., 19.

⁸⁷ For an overview of Weber’s thought, see Collins, Randall, *Weberian Sociological Theory*, Cambridge, 1986.

⁸⁸ Jaspers, Karl, *The Origin and Goal of History*, Yale, 1953, Ch. 5. “The Axial Period and its Consequences.”

⁸⁹ See Weber, Max, *The Religion of China: Confucianism and Taoism*, Free Press, 1951; Weber, Max, *Ancient Judaism*, Free Press, 1952; Weber, Max, *The Religion of India; the Sociology of Hinduism and Buddhism*, Free Press, 1958.

suffering that is broadly accepted) in response to what Weber calls the fundamental tragedy of life,⁹⁰ which he variously characterizes as the dense intertwining of good and evil in human experience⁹¹ or the “brute fact” of suffering.⁹²

Weber shows that systematic justifications of human suffering seem to proliferate after a certain degree of social complexity has been reached. Perhaps large societies require a more explicit method of legitimation.⁹³ Maybe the exigencies of food storage or the rise of literacy push cultures to speculate on the collective fate of societies in more comprehensive ways.⁹⁴ Regardless of the precise cause, the point is that the rise of religious theodicies is a global phenomenon, not something unusual about “the West.”⁹⁵ It is not something “the West” got “right” or “wrong.” The existential need for a theodicy of some sort is not something that can be easily banished or brushed aside.⁹⁶

But if theodicy is a global phenomenon, this should raise the question of why Protestantism supposedly developed such close affinities with European capitalism, and herein lies a second aspect of Weber’s argument. The Protestant ethic is able to grow and spread precisely because of the unique role of city life in Europe.⁹⁷ While urban areas around the world typically remained subjugated to larger state or imperial powers, cities in Europe were

⁹⁰ Weber, Max, *From Max Weber: Essays in Sociology*, Ed. Hans Heinrich Gerth and C. Wright Mills, Oxford, 1946, 117.

⁹¹ Ibid., 122.

⁹² Ibid., 122, 176, 354.

⁹³ Fukuyama, Francis, *The Origins of Political Order: From Prehuman times to the French Revolution*, Farrar, Straus and Giroux, 2011, 36-7.

⁹⁴ Ong, Walter J, *Orality and Literacy: The Technologizing of the Word*, Routledge, 2002 [1982], 30; Steiner, George, *Grammars of Creation*, Faber and Faber, 2001, 5.

⁹⁵ Weber, Max, *From Max Weber: Essays in Sociology*, Ed. Hans Heinrich Gerth and C. Wright Mills, Oxford, 1946, 274.

⁹⁶ “Every human order is a community in the face of death. Theodicy represents the attempt to make a pact with death. Whatever the fate of any historical religion, or that of religion as such, we can be certain that the necessity of this attempt will persist as long as men die and have to make sense of the fact.” Berger, Peter L., *The Sacred Canopy*, Anchor, 1967, 80.

⁹⁷ Bendix, Reinhard, *Max Weber; an Intellectual Portrait*, Doubleday, 1960, 56-7, 72-9.

able to attain a modicum of independence, for reasons that range from its fractured geography to the divide between the universal church and a feudal patchwork of local rulers.⁹⁸ By way of contrast, urban settlement in the Islamic world was characterized by more restrictive kinds of property rights and remained highly vulnerable to nomadic raiders, two facts that may have sent Islamic commercial life on a different and less expansive trajectory.⁹⁹ For all these reasons, it was in European cities that new modes of commercial activity began to take shape, craftsmen of various sorts clustered together, the notion of equality and self-governance began to assume a political valence, a status group of lawyers and jurists arose, and individuals began to peel away from kinship ties.¹⁰⁰ It is not a coincidence that Luther's father was an ambitious *burgher* who sent his son to law school.¹⁰¹ The point of departure for Protestant theology was, according to Weber, "This context...of the *political* problems engendered by the bourgeois status-group of the *city*."¹⁰²

If one ignores this political context, Weber's theory may seem like a case of straightforward "idealism." But in fact he views the emergence of Protestantism as a response to specific social strains and political struggles. The style of economic thought Weber highlights in *The Protestant Work Ethic*, characterized by self-discipline and adherence to

⁹⁸ Weber, Max, *The City*, Trans. Don Martindale and Gertrud Neuwirth, Collier, 1962, Ch. 2. "The Occidental City."

⁹⁹ Bernard Lewis and Buntzie Churchill write that "The [European] city was a legal entity in itself: it could own property; it could buy and sell; it could sue and be sued. All this helped prepare the way for the great commercial corporations of later times. This did not happen in the Islamic world. In the Greco-Roman sense there was no city — just an accumulation of urban habitations. What was really important was not so much the city as the neighborhood or quarter, this being usually either tribal or occupational, or some combination of the two. This helped sustain the guild system and obstruct the development of great commercial and industrial corporations, Western-style." Lewis, Bernard, and Buntzie Churchill, *Islam: The Religion and the People*, Pearson, 2009, 106. On the interplay between urbanism and nomadic tribalism in the Islamic world, see Gellner, Ernest, *Muslim Society*, Cambridge, 1981, Ch. 1 "Flux and Reflux in the Faith of Men."

¹⁰⁰ Fukuyama, Francis, *The Origins of Political Order*, Farrar, Straus and Giroux, 2011, 376.

¹⁰¹ Marty, Martin E. *Martin Luther: A Life*, Penguin, 2008, 4-5.

¹⁰² Bendix, Reinhard, *Max Weber; an Intellectual Portrait*, Doubleday, 1960, 79

impersonal rules, arises out of interactions between the urban milieu, commerce, and existing theological schemes. As we will see, Polanyi points to a similar origin for economic liberalism.

However, Weber's thought undergoes a peculiar twist by the time it reaches contemporary Europe. Once the edifice of capitalism is in place and supported by powerful state bureaucracies, modernity for Weber runs largely on autopilot. This is the meaning of Weber's depiction of modernity as an "iron cage."¹⁰³ The subjective experiences of individual actors lose the causal influence that had made *The Protestant Ethic* so compelling. Instead, interlocking bureaucracies and structures of power now appear to dominate a regimented social order. Modernity is "disenchanted."¹⁰⁴ In the end, social life becomes so constricted in Weber's view that he finds little room for individuality or political action in any meaningful sense. He is, as Wolfgang Mommsen said, "a liberal in despair."¹⁰⁵

According to Anthony Giddens, Weber's profound influence meant that his conception of a systematic, rationalized modernity became the guiding framework for much of 20th century social science, while the project of interpreting subjective and intersubjective experience was hived off into anthropology departments.¹⁰⁶ It is not a coincidence, then, that for a few decades Polanyi's influence was felt most dramatically in the field of anthropology,¹⁰⁷ because his critique of utopian liberalism aims to bring the "irrational" role of ideas and faith back into an analysis of the contemporary economy.¹⁰⁸ Polanyi will emphasize the continuities rather than

¹⁰³ The well-known phrase is Talcott Parsons' translation of Weber's "*stahlhartes Gehäuse*."

¹⁰⁴ Weber, Max, *From Max Weber: Essays in Sociology*, Ed. Hans Heinrich Gerth and C. Wright Mills, Oxford, 1946, 139.

¹⁰⁵ Mommsen, Wolfgang J., *The Age of Bureaucracy: Perspectives on the Political Sociology of Max Weber*, Blackwell, 1974, 95.

¹⁰⁶ See Giddens, Anthony, "What do Sociologists do?," In *Social Theory and Modern Sociology*, Stanford, 1987; See also Foucault, Michel, *The Birth of Biopolitics*, Palgrave, 2008, 105.

¹⁰⁷ Hann, Chris, and Keith Hart, eds., *Market and Society: The Great Transformation Today*, Cambridge, 2009.

¹⁰⁸ Özveren, Eyüp, "Karl Polanyi and Return of the 'Primitive' in Institutional Economics," *Journal of Economic Issues* XLI.3 (2007): 783-808.

the differences between “developed” and “undeveloped” economies.¹⁰⁹ His genealogy of economic utopianism deploys many of the same elements as Weber’s interpretation of Protestantism, but with the crucial difference that Polanyi aims to depict the continuing impact of these ideas on contemporary life. By retelling the history of economies and economics, Polanyi hopes to undermine from within the idea of the modern economy and the corollary notion that economics is a rigorous science. Let’s trace the contours of Polanyi’s critique.

5. “*Where do the poor come from?*” Polanyi’s Genealogy of Economics Pt. I

There is a popular version of the history of modern economic thought that begins with a fable.¹¹⁰ The fabulator in question is Bernard de Mandeville, the English physician and writer whose 1723 book *The Fable of the Bees* (which began life as a poem called “The Grumbling Hive, or Knaves turn’d Honest”) reversed longstanding condemnations of commercial activity by showing how vices such as pride and the pursuit of luxury can encourage self-discipline and industry among citizens.¹¹¹ Mandeville writes:

Thus Vice nurs’d Ingenuity,
Which joined with Time and Industry,
 had carry’d Life’s conveniences,
It’s real Pleasures, Comforts, Ease,
 To such a Height, the very Poor
Liv’d better than the Rich before.¹¹²

Whereas much Christian and civic republican thought condemned the selfishness and greed that trade fosters and the way that commerce corrupts martial virtue, Mandeville argued that self-interest can generate widespread prosperity that improves the lives of the vast majority of

¹⁰⁹ Polanyi, Karl, *The Great Transformation*, 48.

¹¹⁰ Hayek, for example, observes that “From Mandeville there flows a direct line to David Hume and then on the other side to Adam Smith, Adam Ferguson and Edmund Burke, and on the other side to Jeremy Bentham and the utilitarians.” Hayek, Friedrich, *The Trend of Economic Thinking: Essays on Political Economists and Economic History*, Chicago, 1991.

¹¹¹ Muller, Jerry Z, *The Mind and the Market: Capitalism in Modern European Thought*, Knopf, 2002, 18.

¹¹² Quoted in *Ibid.*, 18.

citizens.¹¹³ The upshot is that the good polity no longer requires a foundation in virtuous citizens. Mandeville thereby reverses an argument that runs from Aristotle to 18th century republicans like Rousseau. “Thus every Part was full of Vice/Yet the whole Mass a Paradise.”¹¹⁴ By separating individual motives and conduct from the collective outcome, he depicts an early image of an impersonal, self-regulating economic process. It is he who invents the term “division of labor” to describe the complex interdependence of commercial relationships, a conceptualization that helps open the way for economics as a defined area of study.¹¹⁵ “If Adam Smith is the father of economics,” one commenter declares, “then Bernard Mandeville must be its godfather.”¹¹⁶

After Mandeville, as the story goes, the general notion of the benefits of unintended consequences is taken up and systematized, first by the physiocrats and then by the Scots, particularly Adam Smith.¹¹⁷ The physiocrats and Smith carry the idea of an economic process one step further by insisting that wealth is not synonymous with bullion but is instead the result of a cumulative social process of economic generation that involves the acts of numerous individuals over time. They also begin to discover some of the basic categories of economic thought so that economics is henceforth able to discard a little more of its medieval,

¹¹³ Because of his emphasis on selfishness and unplanned order, Mandeville is often read as a proto-liberal. Indeed, that is how I read him here. However, it should be said that there is still much debate over whether his call for “the skillful management of the dexterous politician” places him more in line with older traditions of mercantilism. See Hundert, E. J., *The Enlightenment's Fable: Bernard Mandeville and the Discovery of Society*, Cambridge, 1994, 18; Viner, Jacob, *Essays on the Intellectual History of Economics*, Ed. Douglas A. Irwin, Princeton, 1991, 21- 4.

¹¹⁴ Mandeville, Bernard De, “The Grumbling Hive,” In *The Fable of the Bees and Other Writings*, Ed. E.J. Hundert, Hackett, 1997, 27.

¹¹⁵ Hodgson, Geoffrey M., *Economics and Evolution*, Michigan, 1993, 55.

¹¹⁶ *Ibid.*, 55.

¹¹⁷ Hayek, Friedrich, “Individualism: True and False,” In *Individualism and Economic Order*, Chicago, 1948; Vardi, Liana, *The Physiocrats and the World of the Enlightenment*, Cambridge, 2012, 25.

Aristotelian teleological baggage¹¹⁸ in order to deal directly with individuals and their interests.¹¹⁹ Classical economics then passes through a period of what the philosopher of science Thomas Kuhn calls “mop-up work” as Malthus, Ricardo, and Mill flesh out the implications of economic theory for a market system that is becoming increasingly dominant.¹²⁰

Finally, beginning in the 1860s Jevons, Menger, and Walras inaugurate the “marginal revolution” by shifting discussions of value away from a focus on human labor toward the dynamics of individual choice under conditions of scarcity.¹²¹ At this point, with the relevant structure of economic life thus specified, it is possible to construct mathematical models of choice in the manner of 19th century physics. As this version of history has it, economics progresses from modest beginnings until it becomes a true social science.¹²²

By contrast, Polanyi argues that the foregoing story never leaves the realm of fable. He insists that the “origin story” beginning with Mandeville and Adam Smith is a selective history that is often used to support dangerous myths whose hold on political thought has yet to be broken. Above all, recounting the history of economics as the discovery of a method makes the formalistic, impersonal theories of liberals such as von Mises seem too plausible. As a detached and purely formal method, economics appears to study society objectively without being unduly influenced by political concerns; it seems to soar above the rancor of partisan struggles and therefore acquires the authority of a mode of knowledge equipped to speak the

¹¹⁸ By contrast, Polanyi praises Aristotle’s recognition that economics takes place within a moral community. See Polanyi, Karl, “Aristotle Discovers the Economy,” In *Primitive, Archaic, and Modern Economies; Essays of Karl Polanyi*, Anchor, 1968, 78.

¹¹⁹ Hirschman, Albert O, *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph*, Princeton, 1977.

¹²⁰ Kuhn, Thomas, *The Structure of Scientific Revolutions*, Chicago, 2012, 24.

¹²¹ Blaug, Mark, In *Economic Theory in Retrospect*, 5th ed., Cambridge, 1996, Ch. 8 “The Marginal Revolution.”

¹²² Bronk, Richard, *The Romantic Economist: Imagination in Economics*, Cambridge, 2009, 78-81.

plain truth about the workings of society.¹²³ Just as importantly, this history of economics as science occludes the values and political interests that continue to shape the discipline itself. Thus a certain style of history, a kind of methodology, and a type of expert authority forge a symbiotic relationship, each working to reinforce the others.

Polanyi attempts to undermine this authority by constructing an alternative history of economics, a genealogy that demonstrates how existential needs and utopian politics form the initial motive for free-market thinking.¹²⁴ On his reading, politics – along with a new political faith – provides the disavowed drive at the heart of modern economic theory.¹²⁵

Polanyi's genealogy begins with a counter-fable called "the theorem of the goats and the dogs," found in Joseph Townsend's *Dissertation on the Poor Laws*. If you have never heard of Townsend, that is exactly Polanyi's point: the intellectual sources and drives behind the style of thought that becomes economics have been obscured by the retroactive endeavor to read Mandeville and Smith as its "founding fathers." The standard view that traces a continuous line from Mandeville to Adam Smith to 19th century economic liberalism overlooks the impact of the early phases of industrialization in England and the emergence of new modes of urban poverty. These issues gave rise to an intense political struggle over changes to the Poor Laws that governed the treatment of the lower classes. It is in the context of these debates that Townsend's work changes the shape of economic thought, shifting it onto a more radical trajectory. By recounting this history and Townsend's role in it, Polanyi hopes to show that 19th century economic liberalism is a political response to a phase of social disintegration. This

¹²³ For a recent critique of the supposed value-neutral nature of economics, see Sandel, Michael J. "Market Reasoning as Moral Reasoning: Why Economists Should Re-engage with Political Philosophy," *Journal of Economic Perspectives* 27.4 (2014): 121-40.

¹²⁴ Polanyi, Karl, *The Great Transformation*, Ch. 10. "Political Economy and the Discovery of Society."

¹²⁵ Dale, Gareth, *Karl Polanyi: The Limits of the Market*, Polity, 2010, 56.

new liberalism, he argues, represents a far-ranging reconceptualization that diminishes the status of the poor, popularizes a proto-Darwinian theory of competition, and injects a utopian sense of urgency into economic theory. Whereas the standard history of economics is a tale of methodological refinement and intellectual continuity, Polanyi's reconstruction contends that discontinuities in modes of thought are linked to shifting social and political conditions.

Townsend is a central participant in these debates. Published in 1786, a decade after Adam Smith's *The Wealth of Nations* but twelve years before Malthus' *Essay on Population*, his work inflects economic thinking in a decisive way.¹²⁶ Townsend's *Dissertation* centers on a mythic account of the ecosystem of a small island near the coast of Chile. A Spanish sailor named Juan Fernandez was reported to have introduced goats onto the island as a food supply for future visits to the area. In the absence of natural predators, the goat population increased to enormous levels and, unfortunately for the Spanish, became a very convenient source of protein for English pirates. In an effort to remedy this problem, Spain released a pack of dogs onto the island. Soon the populations of both the goats and the dogs were reduced to moderate, stable levels. Townsend saw in this event a kind of miraculous harmony. "A new kind of balance was restored," he wrote. "The weakest of both species were among the first to pay their debt to nature; the most active and vigorous preserved their lives."¹²⁷

Townsend believed that the lessons gleaned from the Chilean ecosystem could be applied directly to the contemporary English debates over what to do with the emerging industrial proletariat. The Watt steam engine was nearing completion in 1775, right about the time Smith was finishing *Wealth of Nations*.¹²⁸ As industry gathered speed, the increase of

¹²⁶ Polanyi, Karl, *The Great Transformation*, 117.

¹²⁷ Ibid., 118.

¹²⁸ Rosen, William, *The Most Powerful Idea in the World: A Story of Steam, Industry, and Invention*, Random House, 2010.

grinding urban poverty in the midst of growing productive capacity troubled England's best minds. What was to be done with the poor? *Where did they come from?*¹²⁹ And, perhaps most important of all, how could they be made to work? As we can see, a complicated and contradictory mix of motives lies behind these questions. Fear of social disorder, questions of privilege and power, all this mingles with shock at the scope of human degradation and a more or less sincere effort to understand the nature of the common good in an economy undergoing drastic change.

Polanyi claims that the acceleration and sheer scale of the new poverty made it virtually unintelligible according to existing ethical and political categories.¹³⁰ Christian teachings regarding treatment of the poor and the paternalistic conventions of the English monarchy seemed to suggest that government should intervene to support the poor and ensure that the able-bodied would find work. Tocqueville provides us with an outstanding account of the moral economy as it was supposed to operate under the regime of *noblesse oblige*:

Under the feudal system the lord, while possessing extensive powers, had no less imperative duties, one of these being to succor the needy within his domain. A last vestige of this ancient obligation, which once obtained throughout Europe, can be found in the Prussian Code of 1795, where we read that "the lord must see to it that poor peasants are given education. As far as possible he should provide means of livelihood for such of his vassals as have no land, and if any are reduced to poverty he must come to their aid."¹³¹

However, by the 1790s such paternalistic policies had already been attempted in Britain; yet they had failed either to visibly decrease the number of paupers or noticeably improve their condition. Such failures increased popular confusion and anxiety. Townsend's genius was to take the theorem of the goats and dogs as the archetype of an impersonal, natural process and

¹²⁹ Polanyi, Karl *The Great Transformation*, 94.

¹³⁰ *Ibid.*, 95, 98, 115.

¹³¹ Tocqueville, Alexis De, *The Old Regime and the French Revolution*, Trans. Stuart Gilbert, Anchor, 1955, 60.

use it to provide systematic support for a view that had been floating through the ambient culture for several decades, unable to find firm footing.¹³² Simply put, the government should do nothing. As natural beings, humans were subject to the same laws as the dogs and goats, i.e., incessant struggle for food and survival. In this life and death struggle it is not just a contingent fact that some succumb so that others thrive, it is a law of nature. In this sense, the poor are not seen to be caused by social policies. They don't "come from" anywhere so much as they are an ineliminable aspect of the natural world.

For Townsend, impersonal laws of selective survival govern society; when they are given free rein to operate, the whole social order will self-regulate. Polanyi calls this the "mechanical" aspect of his thinking and suggests that its origin can only be attributed to a society in which use of machines is becoming dominant.¹³³ While the work of earlier thinkers such as Quesnay, Turgot, and Adam Smith utilized some concept of self-regulation or the so-called "invisible hand," in practice they deployed this concept in a highly restricted manner; it tended to appear in the context of certain economic sectors or particular domains such as agriculture or international trade.¹³⁴ By contrast, Townsend both extended the concept of impersonal self-regulation and relied upon it more intensely. In his hands a theory of the impersonal law of nature increasingly came to supersede morality as a dominant mode of economic argument. Just as competition stabilized the populations of goats and dogs, he

¹³² Daniel Defoe, for example, had already written in 1704 his pamphlet titled *Giving Alms No Charity and Employing the Poor a Grievance to the Nation*. Ibid., 113-4.

¹³³ Ibid., 43.

¹³⁴ For example, although they are often associated with the economics of *laissez-faire*, the physiocrats believed that "the most efficient and wise method of making law was by a single individual, the sovereign monarch. Armed with the knowledge of the natural order, and with an interest in defending the interests of his subjects, such a monarch would in effect be a legal despot, ruling subject to the natural laws described by the physiocrats." Whatmore, Richard, "The Politics of Political Economy in France from Rousseau to Constant," In *Markets in Historical Context: Ideas and Politics in the Modern World*, Ed. Mark Bevir and Frank Trentman, Cambridge, 2004, 60.

believed that “It is the quantity of food which regulates the number of the human species,” and therefore the number and condition of the poor.¹³⁵ There was no longer any need for *noblesse oblige*, or indeed for obligation of any kind.

This new way of thinking was, as Foucault observes, “more a naturalism than a liberalism.”¹³⁶ Beneath the apparent continuity in a style of rhetoric concerning individuals and their rights, the perceived relationship between society and nature has changed. The image of society shifts from a conception of moral order to a theory of impersonal law. In turn, this shift alters the perceived role of the individual within the economy (especially when that person is poor). The break is clear. While Mandeville still retains a meaningful, albeit much diminished, discussion of virtue, while he recognizes the need for wise politicians to maintain economic institutions, Townsend finds the government to be impotent to resist the amoral and impersonal laws of nature.¹³⁷

However, Townsend finds one saving grace in his otherwise bleak conception. The solution to the old problem of getting work out of the poor now becomes clear: they will work for food. Government’s responsibility, then, is to see that nature runs its course. Townsend, as Polanyi puts it, learned that scarcity was a “better disciplinarian than the magistrate.”¹³⁸ A jagged line of influence runs from Townsend to Malthus to 19th century social Darwinists such as Herbert Spencer (who in turn influenced Hayek and other 20th century libertarians).¹³⁹ This lineage forms the subterranean undercurrent of liberal and neoliberal thought.

¹³⁵ Ibid., 118.

¹³⁶ Foucault, Michel, *The Birth of Biopolitics*, Palgrave, 2008, 61.

¹³⁷ Mandeville, Bernard de, *The Fable of the Bees and Other Writings*, Ed. E.J. Hundert, Hackett, 1997, 154.

¹³⁸ Polanyi, Karl, *The Great Transformation*, 120.

¹³⁹ “Malthus made Townsend’s thoughts world-famous.” Polanyi, Karl, “The Place of Economies in Societies,” *Primitive, Archaic, and Modern Economies: Essays of Karl Polanyi*, Anchor, 1968, 130. For one example of Hayek’s relation to Spencer, see Hayek, Friedrich, *The Constitution of Liberty*, Chicago, 2011, 77n7.

In the pages of Townsend's *Dissertation* a seismic shift has taken place. It is not Adam Smith but Townsend and his like who inaugurate a rupture in the framework of economic thought. The systematization of impersonal laws now means that a realm of experience called "the economy" can be hived off from the manifold that is social life and made the object of an explicit theory. In attempting to describe this change, Polanyi suggests that we:

[E]mploy a physiological analogy: With the [earlier economists], economy was...a function of the social organism as a whole. Now economy became something more definite, rather like the digestive organs of the body.¹⁴⁰

The economy is reconceived as a demarcated domain with a more specialized, but perhaps for this reason more important, function. When the economy was merely "a function of the social organism as a whole" it could have no single purpose because society as a whole has no single purpose. Economic life on the old model therefore had a mix of sometimes contradictory objectives: to support the poor and the nobility in their designated roles, to increase the wealth of the nation, to encourage virtuous behavior when possible, to provide the sinews of war. Unlike organisms, however, organs can have a single function. As an organ, the economy now has one goal, namely, to regulate the efficient use of scarce resources. Moreover, this single goal must be pursued with an intense focus, utilizing the power of the state if necessary, because if the economy falters, the entire social body may perish, just as a heart attack can kill a person. What may seem like an inconsequential change of analogy thus has far-ranging consequences because it alters the concepts that surround economic thought and increases the urgency with which these concepts are deployed. We can grasp the full impact of this shift by examining several areas in which Townsend's work diverges from that of his predecessors.

¹⁴⁰ Ibid., 129.

First, while Mandeville's *Fable of the Bees* openly declares its fictional origins and tries to persuade the reader through an allegorical method that Jerry Z. Muller calls the "rhetorical redescription" of economic values,¹⁴¹ Townsend's "theorem" purports to reveal a scientific fact established by empirical observation. However, Polanyi notes that *no sources or research have ever been able to authenticate the story*.¹⁴² Polanyi's point here is not (just) that Townsend's tale is therefore a crude ideological fiction. Actually, even if Townsend's particular story is utterly false, we can certainly imagine that something similar to the scenario he describes is rather plausible. The point is that by disguising its imaginary origins and claiming to be a *scientific* statement of the laws of nature, the very criteria of what counts as truth – what is acceptable as an argument about economics and who is qualified to speak – undergoes a profound alteration. The distance from fable (a loose but persuasive set of moral and rhetorical ideas) to theorem (a postulate of necessary law) is enormous.

Polanyi's account resembles the more recent history of neoliberalism in Foucault's *The Birth of Biopolitics*. Foucault claims that an inflection takes place when the modern economy transitions from its former role as a "site of justice" to a regime defined by a new set of rules that demarcate authoritative statements, what Foucault calls a "regime of truth."¹⁴³ "A good government," he says, "is no longer...simply one that is just...To be good government, government has to function according to truth."¹⁴⁴ Scientific knowledge is required because it "distinguishes those things" – such as the natural competition between goats and dogs – "which it would be pointless for government to interfere with."¹⁴⁵ Townsend is a founder of this

¹⁴¹ Muller, Jerry Z., *The Mind and the Market: Capitalism in Modern European Thought*, Knopf, 2002, 18.

¹⁴² Polanyi, Karl, *The Great Transformation*, 118.

¹⁴³ Foucault, Michel, *The Birth of Biopolitics*, Palgrave, 2008, 30, 32.

¹⁴⁴ *Ibid.*, 32.

¹⁴⁵ *Ibid.*, 40.

transition, and the concealment of the fictional basis of his work is one technique that makes the transition possible.

Second, Polanyi argues that whereas Mandeville's fable remains within the Hobbesian strain of English thought in claiming that humans behave *like* beasts, "Townsend asserted that they were *actually* beasts, and that, precisely for that reason, only a minimum of government was required."¹⁴⁶ Ethics, politics, history, institutions – none of these seemed to matter for the mechanistic naturalism of Townsend, to whom "The biological nature of man appeared as the given foundation of a society that was not of a political order."¹⁴⁷

Townsend is thus one of the earliest advocates for the intertwining of economics and administrative governance that Foucault calls biopolitics. Under biopolitical regimes, one might say an old Marxist line is given a twist: it is indeed true that "the government of persons is replaced by the administration of things,"¹⁴⁸ but this is true only to the extent that people are reduced to the status of living things to be administered. The biological substrate forms the connection between man, government, and nature's law. No other intermediary is required. As a result, after Townsend the reduction of the human to "bare life" is an ever present temptation for economic liberalism.

These ideas continue to have repercussions today. For example, even a 20th century neoliberal like Friedrich Hayek, who spent a lifetime defending economic liberalism as a safeguard of freedom, can at crucial moments reduce his defense of markets to their ability to sustain bare life as such, thereby stripping the ethical content out of economic debates. In his

¹⁴⁶ Polanyi, Karl, *The Great Transformation*, 119.

¹⁴⁷ Ibid., 120.

¹⁴⁸ The quote is not from Marx, but Engels. See Engels, Friedrich, *Socialism, Utopian and Scientific*, International, 1972, 62.

final book, Hayek begins from the premise that “life has no purpose but itself”¹⁴⁹ and then proceeds to give Marx another disturbing twist: “Karl Marx was thus right to claim that ‘capitalism’ created the proletariat: it gave and gives them life.”¹⁵⁰ The sheer dynamism of capitalism enables greater numbers of people to survive, but for Hayek this fact alone is enough to defend his vision of free-market liberalism from any critiques that might be leveled against it from the perspectives of ethics, tradition, or social stability. “Whatever men live *for*,” he contends, “today most live only *because* of the market order.”¹⁵¹ It is this “calculus of lives” – and he pauses to note that the phrase is “more than a metaphor”¹⁵² – that justifies unconstrained markets.

In their different idioms Polanyi and Foucault both argue that neoliberalism is continually tempted to reduce politics to the amoral administration of life, especially in moments of crisis. Polanyi traces this biopolitical temptation back to Joseph Townsend. “From this time onward” he says, “naturalism haunted the science of man.”¹⁵³

Third, Townsend signals a reversal in the status of revealed religion. As Carl Becker has shown, throughout the 18th century Christianity continued to exert a major influence on philosophy and political thought.¹⁵⁴ Such remnants of religious tradition often worked to impede rapid economic change. Indeed, as Polanyi points out, the older sense of a spiritual community is one reason why the movement toward a true market for labor was halting and slow.¹⁵⁵ But, once again, we see a reversal after Townsend and the tumult of the 1790s. For Townsend, unrestrained competition takes precedence over traditional institutions because, as

¹⁴⁹ Hayek, Friedrich, *The Fatal Conceit: The Errors of Socialism*, Ed. W.W. Bartley, Chicago, 1989, 133.

¹⁵⁰ *Ibid.*, 113.

¹⁵¹ *Ibid.* 123.

¹⁵² *Ibid.*, 122.

¹⁵³ *Ibid.*, 131.

¹⁵⁴ Becker, Carl L., *The Heavenly City of the Eighteenth-Century Philosophers*, Yale, 1932.

¹⁵⁵ Polanyi, Karl, *The Great Transformation*, 74.

the law of nature, competition is also the law of God.¹⁵⁶ The shift is subtle but important. On Townsend's account, we no longer experience the moral law directly through our interactions with other people and the claims they make upon us; rather, we come to know it through the scientific observation of nature. While tradition appears to depend on outmoded habits and the uncertain interpretations of men, scientific knowledge seems to provide unmediated access to divine law by revealing how it actually operates in the world. Thus it is no longer a case of God sacralizing the economy. Instead, according to the new conception, a theory that reveals an empirical truth about society defines the boundaries of ethical life. The marketplace and its law become the *axis mundi* of commercial society: for Townsend and the thinkers who follow him, ethics must be deduced from our knowledge of economics. One can put Townsend's discovery into a syllogism: An ethical policy cannot contradict the laws of nature and nature's God; to guarantee food to the poor is to contradict laws of nature; therefore, a policy based on the easy provision of food is unethical.

Again, Townsend provides an early example of themes that continue to shape liberal and neoliberal economic thought to this day. Examine, for instance, another passage of Hayek's:

There is no ready English or even German word that precisely characterizes an extended order [i.e. a spontaneous market-society] ...The only appropriate word, "transcendent," has been so misused that I hesitate to use it. In its literal meaning, however, it does concern that which far surpasses the reach of our understanding, wishes and purposes, and our sense perceptions, and that which incorporates knowledge no individual brain, or any single organization, could possess or invent. This is conspicuously so in its religious meaning, as we see for Example in the Lord's Prayer, where it is asked that "*Thy will* (i.e. not mine) be done on earth as it is in heaven"; or in the Gospel, where it is declared: 'Ye have not chosen me but I have chosen you, that ye should go and bring forth fruit, and that your fruit should remain' (St. John, 15:26). But a more purely transcendent ordering, which also happens to be a purely naturalistic ordering, as for example in evolution, abandons the animism still present in religion: the

¹⁵⁶ "The laws of commerce were the laws of nature and consequently the laws of God." Ibid., 122.

idea that a single brain or will (as for example, that of an omniscient God) could control and order [the world].¹⁵⁷

For Hayek, a concept of transcendence remains important because it suggests the unknowable character of complex economic processes and the extent to which they exceed mastery. Transcendence also carries the appropriate connotation of necessary submission to impersonal powers greater than ourselves.¹⁵⁸ However, when Hayek insists on “a more purely transcendent” naturalism – according to his own conception of nature – he also jettisons God and with Him any essential ethical *content* in his idea of transcendence. “Life has no purpose but itself.”¹⁵⁹ The functional process is its own purpose. This is not to say that Hayek has no room for any kind of ethics in his philosophy, but rather that, for him, ethics always remains subservient to natural, functional systems.

The crux of Polanyi’s critique is that Townsend and the 20th century neoliberals who resemble him make moral obligations conditional upon one version of a speculative philosophy of nature. Along similar lines, Charles Taylor has argued that many of the ideas that emerge in the 18th century, from natural rights to the primacy of the individual and property, go through a series of what he calls “redactions” as the original theological and social contexts that once moderated such ideas are stripped away.¹⁶⁰ In their redacted forms, these ideas become increasingly strident and one-dimensional in the course of the 19th and 20th centuries.

Finally, Townsend’s *Dissertation* is also a radical departure from the thought of Adam Smith. Townsend does not “refine” Smith’s methodological insights. As Polanyi notes, Smith

¹⁵⁷ Hayek, Friedrich, *The Fatal Conceit: The Errors of Socialism*, Chicago, 1989, 72-3.

¹⁵⁸ “The individual... must be ready and willing to adjust himself to changes and to submit to conventions which are not the result of intelligent design, whose justification... will often appear unintelligible and irrational.” Hayek, Friedrich, “Individualism: True and False,” In *Individualism and Economic Order*, Chicago, 1948, 22.

¹⁵⁹ *Ibid.*, 133.

¹⁶⁰ Taylor, Charles, *Modern Social Imaginaries*, Duke, 2004, 5.

is pre-modern to the extent that he embraces an aesthetic scheme of harmony and moderation.¹⁶¹ While diverse interests may clash, the Smithian view of social conflict is usually rather mild; with the right set of market, governing, and ethical institutions competition will work to the benefit of all, or nearly all, members of society.¹⁶² Smith also retains a sense that society has moral obligations that precede economics. For him, Polanyi argues, “Reason and humanity set a limit to piece work.”¹⁶³ Lastly, in his concern with the wealth of *nations*, Smith is still fundamentally oriented toward governing the territorial state. Townsend’s universal naturalism shatters these boundaries. Conflict and competition are now discovered at the very heart of social order, all notions of “reasonable” limits according to some transcendent perspective are discarded, and the state is, at least in theory, demoted to secondary importance. Smith, by contrast, is still basically a humanist.¹⁶⁴ His vision of the economy springs from an understanding of the way that habits, traditions, and institutions shape social interaction. With Townsend, the system itself is sovereign and humans are utterly dependent.¹⁶⁵

6. Speenhamland: Polanyi’s Genealogy of Economics Pt. II

One is forced to ask, why exactly did such a remarkable transition in accepted modes of thought transpire in the space of a few decades? Certainly, Polanyi argues, not because of the slow, internal refinement of a scientific method.¹⁶⁶ A different motivation has already been hinted at. The transformation was motivated in part by the need to cope with an immense human tragedy that, like Joseph Townsend himself, is too often forgotten today. For Polanyi the catastrophe is synonymous with a single word: Speenhamland, a new system of labor

¹⁶¹ Polanyi, Karl, *The Great Transformation*, 97.

¹⁶² Muller, Jerry Z., *Adam Smith in His Time and Ours*, Free Press, 1993.

¹⁶³ *Ibid.*, 117.

¹⁶⁴ Polanyi, Karl, *The Great Transformation*, 117-8, 129, 132.

¹⁶⁵ Polanyi, Karl, “The Place of Economics in Societies,” *Primitive, Archaic, and Modern Economies: Essays of Karl Polanyi*, Anchor, 1968, 130.

¹⁶⁶ Polanyi, Karl, *The Great Transformation*, 44, 130.

regulations enacted in England during the Napoleonic Wars that unintentionally resulted in the total collapse of the longstanding policies of the English Poor Law.¹⁶⁷ This event was the result of complex interactions between the first stages of the industrial revolution in England, growing international trade, and a national labor market that had been partially released from feudal and mercantile restrictions.

Adam Smith had dimly sensed the coming disruption of industrial urbanism. In the final book of *Wealth of Nations*, Smith observes that in a small agricultural village “a man of low conditions” lives within institutions that discipline his habits and order his life:

While he remains in a country village his conduct may be attended to, and he may be obliged to attend to it himself. In this situation, and this situation only, he may have what is called a character to lose. But as soon as he comes to a great city, he is shrunk in obscurity and darkness. His conduct is observed and attended to by nobody, and he is therefore very likely to neglect it himself, and to abandon himself to every sort of profligacy and vice.¹⁶⁸

To help bring structure to the anomie of urban life, Smith advocated religion as well as state spending on innocent entertainment that would “amuse and divert the people by painting, poetry, musick [and] dancing.”¹⁶⁹ But Smith wrote before the deluge. When London passed Paris in its number of residents, the total population of France was six times greater than it was across the channel. Moreover, because the unsanitary conditions of life in industrial London meant that the mortality rate inside the city exceeded the birth rate, it took a continual stream of migration from the surrounding countryside to achieve this heretofore unprecedented level

¹⁶⁷ Block, Fred L., and Margaret R. Somers, *The Power of Market Fundamentalism: Karl Polanyi's Critique*, Harvard, 2014, Ch. 5 “In the Shadow of Speenhamland.”

¹⁶⁸ Smith, Adam, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Ed. A.S. Skinner and R.H. Campbell, Vol. 2, Liberty Classics, 1976, 795.

¹⁶⁹ Ibid., 796.

of concentration.¹⁷⁰ A churning cycle of hope, urbanization, desperation, and change was underway.

Poverty in some forms may be as old as civilization. But The Poor as a concentrated class of unfortunates who are more or less healthy enough to work but unable to find any way to support themselves was new to industrializing society. The mere existence of such a class shocked post-Smithian thinkers into a search for more radical economic theories. “Out of the horrors of Speenhamland,” Polanyi writes, “men rushed blindly for the shelter of a utopian market economy.”¹⁷¹ Much like Weber’s Protestant ethic, utopian liberalism is founded on the demand for a theodicy – an existential justification of the necessity of an impoverished class – born from a pressurized urban environment, in this case intensified by the Industrial Revolution. Townsend’s strident, mechanistic materialism is the resulting ethico-political formula that attempts to meet this existential demand. In writing the history of this transition, Polanyi claims to be describing the traumatic origin of concepts and metaphors that continue to influence economic thought.¹⁷²

The sources of the Speenhamland catastrophe are clear only in retrospect. By the late 18th century, mechanical production for sale on national and international markets was assuming a predominant economic role. Trade was nonetheless extremely volatile and uneven. It was concentrated in a few big cities, with wide and apparently inexplicable changes possible at short notice.¹⁷³ England had already been through an agricultural revolution, which saw the enclosure of common lands, and a commercial revolution, with the construction of national

¹⁷⁰ Appleby, Joyce, *The Relentless Revolution: A History of Capitalism*, Norton, 2010, 139-40.

¹⁷¹ *Ibid.*, 107.

¹⁷² *Ibid.*, 87-9.

¹⁷³ *Ibid.*, 96, 98.

markets, as well as an upswing in population growth.¹⁷⁴ Crucially, however, one segment of the economy remained largely outside of the market: labor.

The central problem of the labor supply was that it appeared to be subject to conflicting demands. On the one hand, Christian charity as well as the interests of the workers and the poor seemed to demand government protection against the volatility of emerging international markets. Rural villages also had an interest in preventing a disorderly loss of population into urban centers. On the other hand, in an economy ever more based on trade, private capital, and markets, industry had an insatiable demand for free labor that could be hired when business was good and released when it slumped. It was the impossibility of reconciling these conflicting imperatives within the given order that gave the situation its tragic character.

We should recall that at this time there was no popular conception of industrial capitalism as a system that might produce long-term growth despite its cycle of boom and bust. When growth is presupposed, it is possible to adopt an attitude of attrition during recessions, to tighten one's belt and "wait out" the bad times in the expectation of future development. Without the growth postulate, however, the suffering caused by poverty loses its meaning, thereby intensifying feelings of anxiety and uncertainty. The unemployment caused by 18th century trade fluctuations was all the more troubling for the very reason that it arrived in England as a potentially permanent blight that had erupted into the world without evident cause or remedy. Over time, such feelings of anomie have the potential to corrode faith in existing institutions and beliefs.

¹⁷⁴ Muller, Jerry Z., *Adam Smith in His Time and Ours*, Free Press, 1993, 28-32.

The problem lay with the difficulty of trying to understand several processes that were operating on different time scales and of recognizing a secular trend in the face of wild change.

Polanyi writes:

While [trade] accounted for the rise in employment, the fluctuations accounted for the much bigger rise in unemployment. But while the increase in the growth of general employment was slow, the increase in unemployment and underemployment would tend to be fast. Thus, the building up of what Friedrich Engel's called the industrial reserve army outweighed by much the creation of the industrial army proper.¹⁷⁵

The paradox here is that although the result of industrialism was a steady increase in wages and per capita income, the sheer volatility of the process resulted simultaneously in even larger increases in poverty and suffering over the short-to-medium term as traditional styles of life were destroyed. If we contemporary observers look back only at the aggregate trend of rising incomes, which is only apparent in retrospect, the trauma and desperation of the actual situation for many is obscured.

The central drama of the age, then, was the emergence of a class of paupers who seemed to be multiplying out of all proportion to what the environment would bear, just like Townsend's goats. But if the lack of any unified understanding of the systemic relationship between trade, markets, and unemployment made the new poverty all the more worrisome, it also made the solution appear rather simple. To many, it seemed as if these problems could be resolved with a simple wage subsidy. With a subsidy workers could maintain a tolerable standard of life, industry would have a flexible supply of labor, and people would be encouraged to remain in their villages whenever possible. The demands of protection, industry, and tradition could be satisfied at the same time. This was the solution put in place by the

¹⁷⁵ Ibid., 95.

Speenhamland system in 1795.¹⁷⁶ The most profound shock came, then, after these apparently obvious reforms failed. It was after the spectacular failure of Speenhamland's paternalism that a context was created in which the legalistic naturalism of Townsend became palatable as a ruling creed and generalized theodicy.

The Speenhamland reform program failed because it attempted to apply a blanket wage subsidy inside an industrializing and highly marketized economy in which other regulations were minimal and older mutual support structures had disappeared.¹⁷⁷ (Immanuel Wallerstein also points out that the Anti-Combination Laws were enacted at roughly the same time; this prevented the working classes from attempting to push for higher wages through collective action.)¹⁷⁸ Because it ran counter to the market rationale that dominated other sectors of the economy, the wage subsidy only exacerbated the underlying problems that were causing pauperism to increase.¹⁷⁹

We can better observe some of these problems by comparing Speenhamland to the policies it replaced. Prior to the enactment of Speenhamland, under Elizabethan era Poor Law, workers had been tied to one local parish which in turn distributed poor relief. "The poor," says Polanyi, "were forced to work at whatever wages they could get and only those who could not obtain work were entitled to relief."¹⁸⁰ Workers were thus bound to a location, which impeded the growth of industry. On the other hand, within that location, workers had an incentive to obtain the highest paying employment possible because no generalized subsidy was in place that would supplement low wages. The new Speenhamland system reversed these

¹⁷⁶ Ibid., Ch. 7 "Speenhamland, 1795."

¹⁷⁷ "The attempt to create a capitalistic order without a labor market...failed disastrously." Ibid., 84.

¹⁷⁸ Wallerstein, Immanuel, *The Modern World System IV: Centrist Liberalism Triumphant, 1789-1914*, 2011, 113.

¹⁷⁹ Ibid., 130.

¹⁸⁰ Ibid., 83.

longstanding policies. Under it, labor was freed from legal ties to any particular parish so that urban factories could receive an influx of labor when it was required, and all individuals were to be guaranteed a “right to live,” i.e., a minimum income sufficient to sustain life. If a worker had no employment at all, he would receive the entire subsidy. Workers with employment whose wages fell below the legal minimum would be brought up to scale. All of this was to be paid for by local parish taxes.

Unfortunately, in the context of an industrial economy that was increasingly dominated by markets, Speenhamland created a multitude of what we would today call “perverse incentives.” Employers were encouraged to pay their workers as little as possible because the subsidy would make up the difference. Wages therefore began to constitute a drain on the public funds, which in turn generated two kinds of resentment, first on the side of the taxpayers, most of whom had to pay for benefits that they did not receive, and, second, on the part of the workers, whose dignity was degraded by charity forced from an increasingly unwilling hand.¹⁸¹ For their part, the lower classes were encouraged to work as little as possible because the subsidy offered an assurance that they no longer needed to tolerate the toil of labor.¹⁸² Productivity plummeted.¹⁸³ The lives of workers stagnated in meaningless indolence. Skills degraded. Family life was shattered.¹⁸⁴

Dickens would later capture the sense of helplessness and confusion that surrounded pauperism in a classic line from *Bleak House*: “What the poor are to the poor is little known,

¹⁸¹ Ibid., 100-1.

¹⁸² “Under the new regime of the economic man, nobody would work for a wage if he could make a living doing nothing (or not much more than nothing).” Ibid., 82.

¹⁸³ It is important, however, that Block and Somers make the revisionist claim that, contrary to standard accounts of Speenhamland, newer data shows that productivity did not decrease. If true, this observation might change the way we think about this event. See Block, Fred L., and Margaret R. Somers, *The Power of Market Fundamentalism: Karl Polanyi's Critique*, Harvard, 2014, 138-142.

¹⁸⁴ Ibid. 83-4.

excepting to themselves and God.”¹⁸⁵ From Speenhamland onward there emerges the idea of a class of individuals who represent a sort of zero-level of economic life. Whereas earlier conceptions tended to view the poor as a class of unfortunates – deserving of charity or perhaps contempt – now they are presented as the frightening mirror image of the normal, rational economic agent. Or rather, because this event occurs before the systematization of economic theory proper, one wonders if it should not be said that this new class is the problem for which the rational economic agent is the answer. They contribute nothing, but drain the public coffers; they shirk responsibility; they are irrational and unpredictable, and therefore represent the ever present threat of the total disruption of the economic organ.

Speenhamland was a tragedy in the classical (as opposed to the Freudian) Oedipal sense: an inept attempt to avoid the proletarianization of the lower classes had made the problem infinitely more severe. Tragedy was compounded by cruel irony because the mismanagement of wage subsidies created a moment in time during which many of the worst accusations actually did appear to be realized in the poor. As long as the subsidy was in effect they actually *did* resemble an unruly mass, lazily draining the wealth of the nation. As with Townsend’s theorem, however, the importance lies not so much in the truth of the situation – whether workers as such are “really” lazy and dangerous – but the manner in which the story is taken up as the basis of a theory that is then reapplied to the whole social order.

On Polanyi’s reading, the truth of the matter is that fear of the poor, lack of experience, a rationalistic understanding of impersonal markets, and a harsh theory of naturalism led some of the brightest thinkers of the era to misrecognize the source of the failed reforms: instead of realizing the power of markets to cause social dislocation, and the need for more nuanced

¹⁸⁵ Dickens, Charles, *Bleak House*, Houghton, Mifflin, 1956, 83.

collective responses, thinkers such as Townsend drew the conclusion that the devastation had *resulted exclusively from the flawed structure of the labor market*. “In general,” he observed, “it is only hunger which can spur and goad them [the poor] on to labor; yet our laws have said they shall never hunger.”¹⁸⁶ The labor market just had not been *free enough*. Logically speaking, one might just as plausibly have read the expansion of volatile markets in other economic sectors as the cause of the general disruption of labor, but instead the interpretive weight was put on labor regulation as the area of government intervention that was preventing the entire economy from operating inexorably as the natural system that it was supposed to be. This misrecognition meant that the tragic structure of the events surrounding Speenhamland would be repeated: reforms would continually fail and markets would always seem not quite free enough, always as if some elusive obstacle continued to impede their proper function.

The new interpretations of poverty (dangerous, a social terror) and nature (mechanical, law bound, necessary) were fitted into available schemes of philosophy and theology. The result was an understanding of political economy imbued with an acute sense of desperation and a theoretical framework capable of justifying dramatic political action.

Subsequently, economic attitudes would cluster around the two poles that conventionally appear in Western theodicy: submission to transcendent Law or the need for millennial activism.¹⁸⁷ Polanyi calls these two poles, respectively, “limitless despair” and “unbounded hope.”¹⁸⁸ Hope: that the economy can be made to function smoothly in perfect accordance with the Law. Despair: the prospect that poverty was eternal, or that it could only be eradicated by the total reorganization and control of society. The desperation of the question

¹⁸⁶ Polanyi, Karl, *The Great Transformation*, 118.

¹⁸⁷ Berger, Peter L, *The Sacred Canopy*, Doubleday, 1967, 68, 73-7.

¹⁸⁸ Polanyi, Karl, *The Great Transformation*, 88.

and the peculiar coordinates of the response left little room for anything other than an economics that continually threatened to morph into a utopian political crusade. Jeremy Bentham's plans for social-engineering, from the Panopticon prison to his Industry-Houses, are the offshoots of the poor law debates.¹⁸⁹ But the full legacy of Speenhamland runs deeper. "Syndicalism, capitalism, socialism, and anarchism were indeed almost indistinguishable in their plans for the poor," Polanyi observes. All of the economic thinking that comes out of this period adopts some variant of Townsend's mechanistic naturalism and tends to move towards utopian politics in the form of massive programs for social restructuring.

Thus, what Polanyi calls utopian liberalism is one species of this broader genus of modern economic radicalism. Unbounded hope and limitless despair motivate much of the economic and political thought that surfaces in the late 18th and 19th centuries. "The Poor Law discussion," he writes, "formed the minds of Bentham and Burke, Godwin and Malthus, Ricardo and Marx, Robert Owen and John Stuart Mill, Darwin and Spencer, who shared...the spiritual parentage of nineteenth century civilization."¹⁹⁰ The existential sensibility we first observed in Townsend's *Dissertation* is enmeshed in the sediment of the entire economic project as such, permeating its phrases and concepts. Of course, no one will argue that every economist or economic theory manifests utopian zeal. Academic economics is generally a rather dry and sedate discipline. The point is that in moments of crisis the utopian impulse emerges as a temptation, always floating through the ambient discourse about the economy, waiting for someone with the tools to give it form and substance. In asking "Where do the poor come from?" the real, unuttered issue at stake is what Peter Berger calls the ancient core of theodicy: "Why do we suffer?...Why does God permit some men to eat and others to go

¹⁸⁹ Ibid., 112.

¹⁹⁰ Ibid., 88.

hungry?"¹⁹¹ Hope, despair, and utopia are recurrent possibilities for economic thought because it remains tied to these foundational questions.

The full breath of Polanyi's response to the utopian economic projects of the 20th century is not simply to point out that they are, theoretically speaking, impossible endeavors, for the reason that a purely theoretical response is inadequate to address the heart of the issue. Rather, Polanyi seeks to come to terms with the relationship between economics and suffering by offering a different series of ethical coordinates that enable more constructive modes of engagement.

7. *Hamlet* as a Guide to the Critique of Political Economy

Although Polanyi's ethical concerns are evident in much of his work, they are nowhere better illustrated than in his short essay on *Hamlet*. Should we find it curious that he is drawn to this tragedy? As Derrida reminds us, Polanyi was not the first to unite an interest in the critique of economics with a fixation on *Hamlet*.¹⁹² Karl Marx also read the play deeply. It is well known that the *Communist Manifesto* bears traces of its influence.¹⁹³ Whether Polanyi was aware that he shared a passion with Marx is not clear. Nevertheless, *Hamlet* is a sort of unexpected meeting place between the two economic thinkers; the divergent themes they draw from Shakespeare can highlight some distinctive aspects of Polanyi's ethical thought.

According to Derrida, Marx deploys themes from *Hamlet* through his imagery of spirits and ghosts.¹⁹⁴ A ghost stalks the pages of *Hamlet*, like a certain specter haunting Europe circa 1848 in the form of a dimly sensed possibility for political reformation. Marx's rhetorical

¹⁹¹ See Berger, Peter L, *The Sacred Canopy*, Doubleday, 1967, 59

¹⁹² Derrida, Jacques, *Specters of Marx*, Routledge, 1994.

¹⁹³ The shared imagery of grave-diggers and grave-digging is a well known example. See Siegel, Paul N, "The Style of the Communist Manifesto," *Science and Society* 46.2 (1982): 222-29.

¹⁹⁴ Pendergast, Christopher, "Derrida's Hamlet," *SubStance* 34.1 (2005): 44-7.

affinity for the paranormal is not just a stylistic gesture, nor does it contradict his philosophical materialism. Instead, as Slavoj Žižek points out, Marx's vision of capitalism turns on the way that it simultaneously destroys and creates specters.¹⁹⁵ On the one hand, capitalism entails the radical materialization of social life, making profane all that was once holy. At the same time, capitalism continually reproduces another kind of spectrality as commodities become fetishized and circulate through the economy, making it appear as if value and even a sort of agency were a "natural" attribute of commodities.¹⁹⁶ This reconstructed spectrality obscures the basic dependence of the commodity form on the social relations of production.¹⁹⁷

It is the task of the proletariat – the "grave-diggers"¹⁹⁸ of the bourgeoisie – to lay these ghosts to rest and to rid the world of the specter of commodification once and for all. Marx takes up the supernatural imagery of *Hamlet* and uses it to embody the task of communism itself, thereby implying that the coming revolution will be akin to a kind of exorcism in which the ideological apparitions of the commodity will be forever banished. As Derrida observes:

Marx continues to want to ground his critique or his exorcism of the spectral simulacrum in an ontology. It is a critical...ontology of presence as actual reality and as objectivity. This critical ontology means to deploy the possibility of dissipating the phantom...and of bringing this representation back to the world of labor, production, and exchange, so as to reduce it to its conditions.¹⁹⁹

¹⁹⁵ Žižek, Slavoj, *The Fragile Absolute, Or, Why Is the Christian Legacy worth Fighting For?*, Verso, 2008, Ch. 2 "The Specter of Capital."

¹⁹⁶ Marx, Karl, "The Fetishism of the Commodity and Its Secret," In *Capital: A Critique of Political Economy*, Trans. Ben Fowkes, Penguin, 1990, 163-177. Not coincidentally, Marx concludes the section on commodity fetishism with another quotation from Shakespeare, this time from Dogberry in the comedy *Much Ado About Nothing*: "To be a well favored man is a gift of fortune; but reading and writing comes by nature" (Ibid., 177). Dogberry's thinking mirrors the illusion produced by the fetishism of commodities because he believes that the purely social act of reading and writing is a natural quality.

¹⁹⁷ This also illustrates the difference between Marx's notion of commodity fetishism and Polanyi's "fictitious commodities" of land, labor, and money. While fetishism means that all commodities acquire new, spectral qualities under the structural pressure of capitalism, Polanyi's fictitious commodities are important because they can never fully be divested of the attributes they have *before* they are subjected to rational economic calculation.

¹⁹⁸ Marx, Karl, "The Communist Manifesto," In *Karl Marx: Selected Writings*, Ed. David McLellan, 2000, 255.

¹⁹⁹ Derrida, Jacques, *Specters of Marx*, Routledge, 1994, 213-14.

Derrida rather obliquely suggests that this ontology “has political consequences which are perhaps not negligible,” although he remains characteristically circumspect about spelling them out. Simon Critchley helps us to better see what is at stake here when, in a commentary on *Specters of Marx*, he observes that the tradition of Marxist thought has been haunted by an authoritarian temptation that stems, in no small part, from the “phantasy of a completed and transparent social order” in which knowledge has overcome ideology.²⁰⁰ While both Derrida and Critchley want to retain aspects of Marx’s revolutionary project, it seems to me that they are nevertheless correct to point to the political dangers posed by its occasional inducements to reductionism.

The ghostly *mise-en-scène* of the *Communist Manifesto* also suggests a special relationship between communism and time, especially the future.²⁰¹ Hamlet’s ghost brings news of the disjuncture: time is out of joint, and action is required to set the world to rights in the future. Similarly, communism as a movement points toward the future as the yet-to-arrive redemption of the present. The true meaning of history, for Marx, is that of a promise that will only be fulfilled at a later date.²⁰² The past has been merely the “prehistory of human society.”²⁰³ “The tradition of all dead generations weighs like a nightmare on the brain of the living.”²⁰⁴ Literary critic Martin Harries notes that in both *Hamlet* and the *Manifesto*, “the

²⁰⁰ Critchley writes that the “refusal of spectrality” has meant that “totalitarianism inherits a certain conception of the ‘end to politics’ within Marx.” He nevertheless insists that “totalitarianism is a grotesque distortion of Marx’s thinking.” See Critchley, Simon, “On Derrida’s *Specters of Marx*,” In *Ethics, Politics, Subjectivity: Essays on Derrida, Levinas and Contemporary French Thought*, Verso, 2009, 149.

²⁰¹ Eliade, Mircea, *Myths, Dreams, and Mysteries: the Encounter between Contemporary Faiths and Archaic Realities*, Harper, 25.

²⁰² Critchley, Simon, *Infinitely Demanding: Ethics of Commitment, Politics of Resistance*, Verso, 2007, 118.

²⁰³ Marx, Karl, “Preface to *A Critique of Political Economy*,” In *Karl Marx: Selected Writings*, Ed. David McLellan, 2000, 426.

²⁰⁴ Marx, Karl, *The Eighteenth Brumaire of Louis Bonaparte*, In *Karl Marx: Selected Writings*, Ed. David McLellan, 2000, 329.

Ghost already registers the emergent future.”²⁰⁵ In short, the spectral possibilities given shape by the figure of the ghost allow us to read past as prologue. In this area, at least, Marxism is similar to utopian liberalism: the anticipation of the future goal, yet another ghost that haunts the present, is common to both.

By contrast, Polanyi reads the play in order to discover its essential humanism, that is, he seeks to better understand the conditions of finitude and fragility that characterize human existence. “Hamlet is about the human condition,” he says bluntly.²⁰⁶ The ghost features hardly at all in his analysis, replaced instead by the image of Hamlet as a suffering human being pitted against powers that exceed his comprehension. Hamlet is forced by the world to act – called upon by fate to murder an uncle who also happens to be usurper of the throne – but is unable to embrace his responsibility. Yet Polanyi claims that through Hamlet’s unusual dilemma “utmost universality is reached.”²⁰⁷ Why this unexpected shift from particularity to universality?

Tragedy discloses universal components of the human predicament, according to Polanyi, because it presents the audience with a “twin secret” that forces one to search for a key that “fit[s] both locks.”²⁰⁸ The secret is only this: the dispute between the formal and the substantive, between fate and freedom, is shifted onto new ground because the very essence of the tragic is that “the inner and outer scene of action run parallel and are coordinated.”²⁰⁹ On the one hand, the formal course of outward necessity already seems predetermined: “As in ‘Lear,’ ‘Othello,’ or ‘Macbeth,’ by the end of the first act the tragedy is set...the opening act

²⁰⁵ Harries, Martin, *Scare Quotes from Shakespeare: Marx, Keynes, and the Language of Reenchantment*, Stanford, 2000, 98.

²⁰⁶ Polanyi, Karl, “Hamlet,” *The Yale Review* 43.March (1954): 350.

²⁰⁷ *Ibid.*, 350.

²⁰⁸ *Ibid.*, 337.

²⁰⁹ *Ibid.*, 348.

contains the tragedy *in nuce*.²¹⁰ Hamlet is fated to suffer and die, this much we know, and already we perhaps vaguely suspect the manner. Nevertheless, Hamlet remains somehow a free actor; it is *his* suffering and *his* (in)decision that drive the action forward. “The hero’s innermost conflict...is translated into external events”²¹¹ Thus even Hamlet’s apparent failure contains a moment of freedom.²¹² Polanyi’s reading of *Hamlet* displays the existential sensibility that he carries into economic thought, an ethical stance premised on the acceptance that no full reconciliation of individual and society, freedom and history, or agency and structure is achievable for humankind. His tragic vision of possibility lies somewhere between the utopian demand for fullness and the fatalistic acceptance of the existing world.

In his inability to embrace the contradictory demands that freedom and fate have placed upon him, Hamlet shows us that “Life is man’s missed opportunity.”²¹³ Polanyi insists that, after witnessing the torments of Hamlet’s indecision, we spectators are left “with an unaccountable sense of gratitude towards him, as if his sufferings had been not quite in vain.”²¹⁴ His sufferings are not in vain because in some uncertain way Hamlet suffers for us, revealing the tragic element of social life for all to see. A dim allusion to Christ, the transcendent figure who suffers for others, seems unmistakable here, and would not be out of keeping with Polanyi’s interest in Christian themes.²¹⁵

²¹⁰ Ibid., 349.

²¹¹ Ibid., 349.

²¹² Ibid., 349.

²¹³ Ibid., 350.

²¹⁴ Ibid., 350.

²¹⁵ Perhaps the most relevant source for Polanyi’s thoughts on Christianity is his unpublished manuscript “Christianity and Economic Life.” Polanyi claims that Christianity spiritualizes the predicament of man by insisting that an ethical community is the true basis of society. Yet, according to Polanyi, the Gospels also show that the ethical community cannot exist in separation from the worldly community of everyday needs. The political impulse of Christianity demands the paradoxical reconciliation of a spiritual ethic with actual institutions. This piece, written sometime in the mid-1930s, has some explicitly Hegelian overtones, as when Polanyi writes that “when history points to the next step in the achievement of universal community, its claim to the allegiance of the Christian is unconditional.” See Polanyi, Karl, *Christianity and Economic Life*, Con. 22. 19, Concordia

I take Polanyi to be arguing that a constructive attitude toward the human predicament, with all its contradictions and undeserved suffering, cannot be achieved if we insist at the outset that political and economic programs can justify and/or remedy all forms of worldly misfortune, or reconcile all tensions between the individual and society.²¹⁶ The inevitable failure of economic theory to fulfill the metaphysical demands of theodicy leads toward the false hope of utopian politics (Hayek, Marx) or into resigned despair (Rousseau). As Nietzsche understood, extreme hope and despair meet as two forms of nihilism, active and passive: both sensibilities devalue the existing world too much and find it difficult to locate sites for engagement and affirmation.²¹⁷ Polanyi's turn to tragedy is an attempt to break the vacillation between hope and despair.

In his essay on Hamlet, Polanyi shows that humans require a framework that can help make sense of the ubiquitous suffering in life, as well as stories that integrate inner experience with the outward stage of apparent necessity. Traditionally this task has fallen to religion, which is perhaps one reason why Polanyi believes that a religious sensibility can be an important supplement of a reformist political stance.²¹⁸ Gareth Dale nicely sums up Polanyi's position on the political role of religion: "The importance of religion lies not in its supernatural cosmology but in the broaching of eschatological questions and above all in the creation of

University: The Karl Polanyi Institute of Political Economy. See also Baum, Gregory, *Karl Polanyi on Ethics and Economics*, McGill-Queen's University Press, 1996.

²¹⁶ The urge to treat economics as a theodicy remains a subterranean desire in much contemporary economic theorizing. Martha Nussbaum, for example, writes that her favored economic program – essentially a minimal welfare state – offers "the best way of preparing for a tragedy-free future" in which difficult trade-offs between individuals and society would not seem so urgent. Nussbaum, Martha, *Creating Capabilities: The Human Development Approach*, Harvard, 2011, 45.

²¹⁷ "A nihilist is a man who judges of the world as it is that it ought *not* to be, and of the world as it ought to be that it does not exist." Quoted in Reginster, Bernard, *The Affirmation of Life: Nietzsche on Overcoming Nihilism*, Harvard, 2006, 21. On active and passive nihilism, see Nietzsche, Friedrich Wilhelm, *The Will to Power*, Ed. Walter Kaufmann, Random House, 1967, 16-17.

²¹⁸ He was deeply engaged with the Christian Socialist movement both in Vienna and London. See Dale, Gareth, *Karl Polanyi: The Limits of the Market*, Polity 2010, 11.

spiritual connectedness and ethical community.”²¹⁹ Accordingly, the themes that emerge from Polanyi’s meditations on *Hamlet* turn out to be the crystallization of the ethos that informs his work.

Given the language that Polanyi uses, it is surprising that these religious-cum-ethical themes are seldom remarked upon in discussions of *The Great Transformation*. His depiction of the “satanic mills” is easy to dismiss, but the decision to call liberalism a “creed” rather than a theory or an ideology suggests that deeper existential drives are inseparable from the emergence of market fundamentalism.²²⁰ Polanyi calls the Vienna of Hayek and Schumpeter “the Mecca...of liberal economists.”²²¹ When liberalism finally triumphed in the nineteenth century, he says that the effect was “comparable in effectiveness only to the most violent outbursts of religious fervor in history.”²²² The spiritual imperatives of crusading monotheism and of market fundamentalism are intimately linked in a relationship that is more than metaphorical because the two manifest similar longings and aspirations. *Hamlet* is important to Polanyi because his hope is that a tragic vision can engender another sensibility and a less destructive response.

8. Between Autonomy and Heteronomy: Polanyi’s Tragic Ethics

The final paragraph in *The Great Transformation* is so strange, filled with such quiet pathos, that it is worth quoting in full. Polanyi concludes his tome of economic history with the following ruminations:

Resignation was ever the fount of man’s strength and new hope. Man accepted the reality of death and built the meaning of his bodily life upon it. He resigned himself to the truth that he had a soul to lose and that there was worse than death, and founded his freedom upon it. He resigns himself, in our time, to the

²¹⁹ Ibid., 9.

²²⁰ Ibid., 141.

²²¹ Ibid., 25.

²²² Ibid., 31.

reality of society which means the end of that freedom. But, again, life springs from ultimate resignation. Uncomplaining acceptance of the reality of society gives man indomitable courage and strength to remove all removable injustice and unfreedom. As long as he is true to his task of creating more abundant freedom for all, he need not fear that either power or planning will turn against him and destroy the freedom he is building by their instrumentality. This is the meaning of freedom in a complex society; it gives us all the certainty that we need.²²³

What are we to take from this statement? Why is the “reality of death” so important for Polanyi? And – most crucially of all from a strictly political perspective – why does a book that is usually read as a call to political activism conclude with the idea that strength must have a basis in resignation? These are difficult questions with no obvious answers. My suggestion is that the passage contains Polanyi’s most concise attempt to explicate a tragic sensibility, a way of relating to the world that remains hopeful about future possibilities while simultaneously avoiding a providential vision, resignation, and predatory cynicism.

One way to approach Polanyi’s argument is to contrast his characterization of mortality with Hayek’s. Recall Hayek’s declaration that “life has no purpose but itself” and that population increase under capitalism is, in some sense, a sufficient justification of a society based on supposedly self-regulating markets.²²⁴ In Chapter 3, I argued that this sentiment – the idea that mere life is the foundation of all value – is woven into the fabric of neoliberalism. The inconsistencies of this stance render the political imagination of neoliberalism deeply contradictory. On the one hand, the idea that life has no purpose but itself can function as a cynical justification of the status quo because it suggests that there is no way to speak of the quality or nobility of life once bare existence (or, in more fortunate circumstances, material prosperity) has been secured. On the other hand, it raises the specter of resentment at the pain

²²³ Polanyi, Karl, *The Great Transformation*, 268.

²²⁴ Hayek, Friedrich, *The Fatal Conceit: The Errors of Socialism*, Ed. W.W. Bartley, Chicago, 1989, 133.

and shortness of life while exacerbating the longing for immortality. Hayek's vision of impersonal processes is destructive because it precludes normal political aspirations even as it aggravates utopian longings. Once again, we can detect a dynamic that links utopian liberalism, fascism, and communism: the vacillation between an impossible conception of freedom and its utter foreclosure.

Now contrast Hayek's conception with Polanyi's insistence that humans must accept "the reality of death" and come to terms with the fact that they "have a soul to lose and that there [are fates] worse than death." My claim is that, at the deepest level, the differences between Hayek and Polanyi stem, not from their alternative political and economic theories, but from fundamentally opposed conceptions of the meaning of life. Ultimately, this difference is founded in a pre-theoretical sense of the human predicament that cannot be adjudicated through the empirical methods of social science.

For Polanyi, an acceptance of mortality and the limits of life, as well as the idea that there are other – one is tempted to say "higher" – values than mere life, is central to a viable notion of political freedom, i.e, a freedom that encourages engagement with the world without spilling over into utopian fantasy. Such an acceptance is tragic because it affirms from the beginning the necessity and givenness of suffering, even as it requires us to have the "courage and strength to remove all removable injustice." It says that we should seek to remove injustice, even though we already know that some injustice is not removable. This attitude, which Polanyi ultimately traces to the Bible, requires the courage to pursue justice despite likely failures and setbacks.²²⁵ Indeed, it is hard not to hear in Polanyi's work echoes of one of the

²²⁵ "We have invoked what we believed to be the three constitutive facts in the consciousness of Western man: knowledge of death, knowledge of freedom, knowledge of society. The first, according to Jewish legend, was revealed in the Old Testament story. The second was revealed through the discovery of the uniqueness of the

central paradoxes of the Gospel: “Whoever tries to keep their life will lose it, and whoever loses their life will preserve it.”²²⁶

A fuller explanation of tragedy as a concept will, I believe, make Polanyi’s position somewhat more intelligible. Simon Critchley asserts that the modern concept of the tragic that has played a prominent role in German and French thought for the past two centuries is a response to an impasse in Kant’s critical philosophy.²²⁷ The problem is how to cope with a series of oppositions that the Kantian synthesis leaves in a precarious balance: freedom/autonomy and necessity/heteronomy. How can humankind be both free ethical agents and determined by natural causes? Kant’s successors were not persuaded by the solution presented in the *Critique of Pure Reason*, namely, a sharp distinction between noumenal and phenomenal such that the opposite forces of freedom and natural causality could each be given separate regions of operation. By 1796 Schelling had already pointed to tragedy as the aesthetic model best suited for the reconciliation of two ideas that remained opposed in Kant, observing that “The essence of *tragedy* is thus an objective conflict between the freedom of the subject...and necessity...such that both are manifested in perfect indifference as simultaneously victorious and vanquished.”²²⁸

Critchley illustrates Schelling’s conception of tragedy with a short gloss on Sophocles’ *Oedipus Rex*. Oedipus at first misrecognises his true condition. He overestimates his own powers and takes himself to be a free and autonomous agent. After all, he is the king. When the blind seer Tiresias suggests during a search for the murderer of Laius, the previous

person in the teachings of Jesus as recorded in the New Testament. The third revelation came to us through living in an industrial society.” Polanyi, *The Great Transformation*, 267.

²²⁶ Luke 17:33

²²⁷ Critchley, Simon, *Infinitely Demanding: Ethics of Commitment: Politics of Resistance*, Verso, 2007, 75.

²²⁸ Quoted in *Ibid.*, 75.

king and Oedipus's father, that Oedipus himself is the guilty party, he angrily rejects the accusation. Only later does Oedipus realize the significance of a battle that he once fought at the spot where Laius was killed. Tiresias was right. Oedipus has murdered his father. His wife and queen, Jocasta, is in fact his mother and his children are also his siblings. After the terrible moment of recognition takes place, Oedipus gouges out his eyes and leaves the polis. Yet, according to Critchley, Oedipus ends the play as something of a free agent, at least partly reconciled to his suffering by having freely affirmed the causality of fate.²²⁹ He too is now a blind seer of sorts.

Polanyi makes virtually the same observation about Hamlet:

Hamlet parts willingly from life; he commits suicide not in despair, but in fulfillment. His readiness to die is readiness to accept life in its true meaning. He is murdered and the certainty of his own death releases him...The inner stage and the outward stage reflect each other to the end.²³⁰

Polanyi's thought revolves around the problem of reconciling freedom, necessity, and suffering. One might say that, for him, the major flaw of the political visions that emerge from the 19th century's naturalistic understanding of economics is that they demand a reconciliation of freedom and necessity that is fundamentally confused. On the one hand, economics tends to promote an image of the economic agent as a free/autonomous actor making choices in the market. But in other contexts this very same agent is understood to be determined by the larger historical pattern of impersonal markets, economic growth, or economic law.

As we have seen, a common result is a struggle or vacillation between the extreme polarities of a nearly absolute freedom or an enforced necessity. Many plans to remedy economic suffering are thereby drawn toward "pure" solutions, demanding a space of

²²⁹ Ibid., 74-6.

²³⁰ Polanyi, Karl, "Hamlet," *The Yale Review* 43.March (1954): 337-50, 349.

expansive individual rights without any recognition of the mutual obligations entailed by social life, or insisting that our difficulties would be solved if only individuals could be made to conform to the dictates of history, of the nation, or of economic law itself. “The victory of fascism,” Polanyi believes,

was made practically unavoidable by the liberals’ obstruction of any reform involving planning, regulation, or control. Freedom’s utter frustration in fascism is, indeed, the inevitable result of the liberal philosophy, which claims that power and compulsion are evil, that freedom demands their absence from a human community. No such thing is possible; in a complex society this becomes apparent. This leaves no alternative but either to remain faithful to an illusionary idea of freedom and deny the reality of society, or to accept that reality and reject the idea of freedom. The first is the liberal’s conclusion; the latter the fascist’s.²³¹

Polanyi goes on to champion “resignation” not because he advocates passivity, but because only an affirmation of necessity – those aspects of injustice, power, and suffering for which no remedy is yet visible – makes it possible to halt the swing between utopia and reaction. Power is inherent in society, just as freedom is entangled in fate and choice is restrained by history. Only a public acceptance of these facts breaks the false dichotomy of autonomy and heteronomy. We exist somewhere in-between.

Resignation entails the acknowledgment of individual finitude, but at the same time it implies recognition of the importance of community, because fragile, finite individuals depend on others. Paradoxically, then, the affirmation of finitude opens a space in which we may seek solace through social projects and democratic politics. Polanyi sometimes refers to this idea as “the Christian discovery of the uniqueness of the individual and of the oneness of mankind.”²³² It is important that Polanyi never drops his attachment to Christianity. But neither does he rely

²³¹ Polanyi, Karl, *The Great Transformation*, 265- 6.

²³² Ibid., 268.

on its religious doctrine as a foundation for political ethics. After the industrial revolution, he claims, “the Gospels did not any more suffice, and yet remained the basis of our civilization” because the relation of the individual to the community remains an enduring issue.²³³ His Christianity is thus tempered by his reading of tragedy.

However, Polanyi is also aware that tragic conceptions of politics have their own pitfalls.²³⁴ First, resignation should not be identified with passivity. Second, the brute fact of suffering cannot be allowed to acquire a pathos that suggests meaning or inherent dignity, as if poverty were itself commendable. Thus Polanyi rebukes Edmund Burke for creating a halo of nobility around the pointless struggle of the industrial poor.²³⁵ Burke fails to appreciate that renewed action is always called for in the midst of change. Pushing against the boundaries of removable injustice is the only way to discover those boundaries in the first place. The “twin secret” of *Hamlet* is that fate and necessity do exist, but that meaning comes only through striving that tests the limits of possibility by pushing against them.

Tragic action differentiates itself through an activist yet cautious relationship with the temporality of political change. Burke’s version of conservatism too often tries to limit social change to the necessary minimum, while radical projects such as Hayekian liberalism and Marxism desire that some particular version of the “truth” be put into practice fully, with the consequence that the present is often seen through the prism of the future. This demand can lead to dramatic changes in which the sheer speed of transition can be as damaging as the

²³³ Ibid., 268.

²³⁴ Critchley has a somewhat different critique of what he sees as the overreliance of contemporary thought on tragic themes. He argues that philosophies of the tragic tend towards an idealization of “heroic authenticity” that has the effect of suppressing the very human finitude that the tragic is supposed to acknowledge. See Critchley, Simon, *Infinitely Demanding: Ethics of Commitment, Politics of Resistance*, Verso, 2007, 76.

²³⁵ Ibid., 123-4.

transition itself. As we saw in the discussion of Speenhamland, the pace of change under capitalism is often its most destructive and inscrutable feature. Polanyi understands that:

The rate of change is often of no less importance than the direction of change itself; but while the latter frequently does not depend upon our volition, it is the rate at which we allow change to take place that may depend on us.²³⁶

Speed and timing make all the difference to the meaning of a situation. If Hamlet had not struggled with his fate, his death would lack meaning and value; it would fail to lay the groundwork for future understanding. Similarly, for a tragic political sensibility of the possible, there is value in the intervening moments of resistance that forestall or deflect destructive trends, preserving resources for the future, helping to make rampant social change livable.

9. Afterthoughts, Affirmations, and Reservations

Economic ideologies sometimes assume that, if change is necessary, then the rate at which it arrives does not much matter; better to get the future started now. Nor does it seem to matter whether change is consensual and democratic, or undertaken by faceless institutions or an unaccountable cognoscenti. Whatever its origins, Truth remains just as true; that is its beauty. But, as Rousseau knew, politics is messier and more complicated, not only because the habits and institutions that underpin society take time to adjust, but also because human experience itself can be uneven and volatile. Emotional ties, contested identities, and historical legacies of grievance and resentment subvert tidy theories of impersonal order.²³⁷ From Speenhamland to the “shock therapy” administered to post-Soviet states in the 1990s to the austerity policies that followed the 2008 financial crisis, programs of utopian neoliberalism have failed to appreciate that rapid bursts of social dislocation, when older patterns are

²³⁶ Ibid., 39.

²³⁷ One of the best theoretical treatments of this topic remains Habermas, Jürgen, *Legitimation Crisis*, Beacon, 1973.

disrupted and expectations are upended, can lead to a crisis as identities and institutions crumble.²³⁸

Polanyi understood this problem well because, like Aristotle and Rousseau, he suspected that a social order in which moral bonds and expectations of mutual obligation were disintegrating could not be held together solely through the impersonal mechanism of the market. As a result, he argued, there are values and rights so important – he mentions civil liberty, personal freedom, a modicum of solidarity, and the right of each person to a job – that they “must be upheld at all costs; even at the cost of efficiency in production, economy in consumption or rationality in administration.”²³⁹ After the experiences of the past few decades, it seems to me that Polanyi is heading in the right direction. This is not to say that his thought is free of its own problems and contradictions. There are moments, for instance, when I doubt whether each of his proposed rights is fully compatible with the others. Is it not the case, as liberals have long argued, that a government capable of guaranteeing each person a job would pose certain dilemmas for civil liberty? But perhaps these are disagreements that can be negotiated later. His insistence that the moral aspect of society is irreducible to impersonal economic processes remains vital. Neither Adam Smith, nor Friedrich Hayek, nor their many imitators, fully grasp the magnitude of the volatility that markets sometimes generate, or appreciate the way such dislocations provoke cycles of populist reaction.

Of course, (neo)liberalism is not the only ideology prone to utopian temptations. Indeed, I think Polanyi tends to underestimate the degree to which liberalism’s rhetoric of rights and its support for the rule of law have operated as moderating influences. It is difficult

²³⁸ Varoufakis, Yanis, *The Global Minotaur: America, the True Origins of the Financial Crisis and the Future of the World Economy*, Zed, 2011.

²³⁹ Polanyi, *The Great Transformation*, 264.

(but, sadly, not impossible) for a liberal to say that you have to break a few eggs to make a trade pact. This is not a trivial fact because it can open liberalism up to an ethical critique on terms that are widely accepted, not just throughout society, but also within major political institutions. And, if Polanyi is correct to claim that liberalism sometimes steps over the brink, it has also stepped back on more than one occasion (the Reform Acts in 19th century Britain and FDR's response to the Great Depression come to mind). Alternatively, a *Weltanschauung* that openly calls for revolution and rupture, of which fascism and communism are the main but not the only examples, is often even more destructive because it undermines the very terms and concepts through which political change can be understood and contested. As Polanyi knew, it is easier to pursue the future goal at all costs once widespread moral notions and conceptions of democratic legitimacy have been hollowed out. Utopian ideologies of the revolutionary stripe often degenerate into regimes of discipline and control, or else they subside into resentment and passive nihilism after an initial bout of enthusiasm. The first path leads to amoral authoritarianism; the second does too.

My own hope is that a renewed liberalism, if it were able to attenuate its attachment to certain aspects of free-market theory, might manage to avoid these pitfalls, but this is hardly a given, and it requires liberalism to be open to the sort of foundational critique that Polanyi undertakes. Of course, the reader is entitled to ask, what might such a reconstructed liberalism entail? What doctrines would it espouse? But perhaps we should delay this question momentarily. For it seems to me that one of the lessons of *The Great Transformation* is that *how* a political creed is believed is sometimes as important as the doctrine of the creed itself. Beliefs differ in intensity, in their relationship to conceptions of past and future, in their sensitivity to emergent trends and new lines of critique, in their willingness to compromise for

the sake of prudence, and in the way they cope with surprises and momentary failures. A refashioned, more moderate liberalism might still retain a place for markets, individual rights, and a desire to constrain the power of the state, but the modality of these beliefs would have to change. Markets would have to be tempered with some sense of justice or mutual obligation, individualism would at times need to be restrained, and mistrust of the state kept to a low boil.

At the very least, neoliberal fantasies of impersonal economic order exemplified in the works of Friedrich Hayek would have to be abandoned. But I believe that significant steps in this direction might be made by recapturing some of the dissident strains in the writings of Adam Smith, Edmund Burke, and Alexis de Tocqueville. It is sometimes forgotten today just how critical and ambivalent these thinkers are with respect to what I feel compelled to call (for lack of a better term) liberal modernity, and this is true whether we want to speak about markets, individualism, or universal equality under the law. In part, this selective memory regarding their ideas is a testament to the success that Hayek and likeminded interpreters enjoyed during the past century. But nowhere, to my knowledge, does Hayek address Burke's worries about unregulated finance and the corrupting influence of the "monied interest"²⁴⁰ or Smith's related anxieties about monopolies, easy profits, and overspecialization.²⁴¹ Unlike today's utopian neoliberals, Tocqueville was haunted by the possibility that America's myopic obsession with property would engender a timid and reactionary society, afraid of adventure and novelty.²⁴²

²⁴⁰ Burke, Edmund, *Reflections on the Revolution in France*, Ed. J.G.A. Pocock, Hackett, 1987, 95-99.

²⁴¹ Smith, Adam, *The Wealth of Nations*, Vol. 2, Liberty Fund, 1976, 638. See also Muller, Jerry Z., *Adam Smith in His Time and Ours*, Free Press, 1993, Ch. 10 "The Moral Balance Sheet of Contemporary Society."

²⁴² "When I see property become so mobile and the love of property so anxious and ardent, I cannot prevent myself from fearing that men will arrive at the point of looking on every new theory as a peril, every innovation as a distressing trouble, every social progress as a first step towards revolution, and that they will altogether refuse to move for fear that they will be carried away." Tocqueville, Alexis De, *Democracy in America*, Trans. Harvey C. Mansfield and Delba Winthrop, Chicago, 2000, 616-7.

Again, contrary to much popular opinion, a sustained engagement with the problems posed by unequal degrees of political power, especially as it operates in the international arena, is at the center of this older liberalism. Indeed, Polanyi, who is often quite sympathetic to Smith on particular points, goes so far as to declare that “Anti-imperialism was initiated by Adam Smith” in his writings against colonial monopolies.²⁴³ Similarly, Burke devoted nearly a decade to, and staked much of his reputation on, a failed attempt to impeach Warren Hastings, the powerful Governor-General of the East India Company.²⁴⁴ These moments of ambiguity are essential to their distinct but complimentary notions of modern politics and economics. Likewise, a reconstructed liberalism, whatever its positive vision, would have to renew its appreciation for doubt, ambiguity, and the realization that all ideologies, itself included, have blind spots and limitations.

However, it is at this point that I begin to depart from what I take to be Polanyi’s diagnosis of the current political scene. He appears to think that, because of its links to free-market utopianism and conceptions of impersonal order, liberalism is incapable of a reformation. To put it differently, Polanyi suggests that a moderate liberalism of the type that I am advocating will invariably slide into a utopian neoliberalism that views the world through the prism of the market. Moreover, he sometimes writes as if the liberal era had come to a definitive close sometime in the 1940s.²⁴⁵ In these moments, he implies that the only satisfactory outcome of the violent upheavals of the last century would be one in which liberalism is superseded by a new phase of social democracy that combines respect for the individual with a more active pursuit of social justice and communal solidarity.²⁴⁶

²⁴³ Polanyi, Karl, *The Great Transformation*, Beacon, 2001, 221.

²⁴⁴ Bourke Richard, *Empire and Revolution: The Political Life of Edmund Burke*, Princeton, 2015, 628-73.

²⁴⁵ Mann, Michael, *The Sources of Social Power: Globalizations, 1945-2011*, Cambridge, 2013, 131.

²⁴⁶ Polanyi, *The Great Transformation*, 262-66.

But it seems to me that these occasional provocations to “go beyond” liberalism – to sublate its concerns within a social democracy that would be at once more communal and more activist – are not fully consistent with a tragic ethos that is wary of permanent solutions and expects tension between citizens and society to endure. This strikes me as an important moment of ambiguity in Polanyi’s thought: should the acceptance of life’s tragic character give us the courage to press against the limits of the possible; or, conversely, does tragedy teach us to embrace the world, flawed as it is? *The Great Transformation* evinces aspects of both attitudes, even as Polanyi seems to favor the activist stance.

For my own part, I remain apprehensive about rousing calls to move resolutely into the future. My concern is that the desire to supersede problems entirely, to separate the wheat from the chaff, sometimes fosters exaggerated conceptions of human agency and minimizes the difficulty of separating good from evil in a complex world. However, one must be careful at this point: the allure of the future appears to be bound up with the contemporary human predicament; and our expectation of future possibilities can take on various shades and tones without which political reform would not appear possible. At the same time, it seems to me that an orientation toward futurity becomes pernicious when it is suffused with that peculiar mood which seems to prize novelty, change, youth, and rupture above all else. This disposition is something less than an articulated doctrine and has little to do with normal political or economic positions as we usually conceive them; I have argued that we can catch glimpses of it in the Rousseau of the *Social Contract* and in Hayek’s later writings. In certain critical passages, Polanyi also seems to be moving in this direction. “Out of the ruins of the Old World,” he writes, “cornerstones of the new can be seen to emerge: economic collaboration of

governments *and* the liberty to organize national life at will.”²⁴⁷ To my ears, such proclamations sound cavalier and insensitive to the problems associated with state power when it is deployed on a massive scale. Moreover, the eager anticipation of the ruins of the Old World tells us little about what we might want to preserve or improve. Even ruins can be instructive.

Thus I retain a degree of fidelity to something loosely called liberalism, not only because I continue to see value in the work of thinkers such as Adam Smith, or because I rate somewhat higher than Polanyi the achievements of markets, but also because I believe that speaking about liberalism is a way of invoking a certain continuity with the past that might exert a moderating influence on political change. The fact that liberalism is a somewhat ambiguous and, some might say, overused concept does not hurt and may even help in this regard. What I want to preserve from the ruins is not limited to any particular doctrine or thinker, but instead includes a set of attitudes, questions, and concerns that have often been called liberal: a meliorist faith in change, a guarded view of state power, an attempt to draw some distinction between public and private, recognition of the importance of the rule of law, and a qualified respect for markets.

Like many theorists, Polanyi tends to underestimate the potential dangers of political views and programs with which he sympathizes. This sometimes has the result of making liberalism look shabby in his estimation, when a more complete picture of liberalism and its alternatives would probably result in a more balanced evaluation. For example, although he often champions the communal ethos of Owenite socialism, nowhere does Polanyi mention the

²⁴⁷ Polanyi, *The Great Transformation*, 262.

draconian discipline associated with Robert Owen's programs at New Lanark. James Fulcher provides a description that is far from attractive:

Robert Owen introduced "silent monitors" at his New Lanark Mills. Each worker had a piece of wood, with its sides painted black for bad work, blue for indifferent, yellow for good, and white for excellent. The side turned to the front provided a constant reminder, visible to all, of the quality of the previous day's work. Each department had a "book of character" recording the daily color for each worker. Discipline was not only a factory matter, for Owen also controlled the community. He sent round street patrols to report drunkenness and fined the drunks the next morning. He insisted on cleanliness and established detailed rules for the cleaning of streets and houses. There was even a curfew that required everyone to be indoors after 10:30 p.m. in the winter.²⁴⁸

Is such discipline the price that must be paid for breaking free from the tyranny of self-regulating markets? Perhaps it is not; but either way we need a fuller account from Polanyi to arrive at an accurate picture of the costs associated with his preferred version of social democracy. Even more problematic is the way he underplays the horrors of Bolshevism. He separates the Russian Revolution and its aftermath into two phases, one that runs from 1917 to 1924 and another that includes the years from 1930 to WWII. He then implies that the second phase – the Stalinist period that undertook collectivization – had more to do with the consequences of the Russian Civil War and the general upheaval of the 1930s than it did with communism.²⁴⁹ He laconically observes that "The collectivization of the farms meant the suppression of the market economy by cooperative methods in regard to the decisive factor of land."²⁵⁰ But collectivization meant a good deal more than that, and I am relatively certain that many peasants raised questions at the time as to how cooperative the ordeal really was. One could read *The Great Transformation* closely without realizing the enormous human cost of

²⁴⁸ Fulcher, James, *Capitalism: A Very Short Introduction*, Oxford, 2004, 7.

²⁴⁹ Polanyi, *The Great Transformation*, 255.

²⁵⁰ Ibid., 255.

Soviet economic policies. In a way, his soft treatment of collectivization is surprising, since Polanyi was not a Marxist and found the materialistic orthodoxy of Soviet communism distasteful.²⁵¹ And, in fairness, writing from abroad in the 1930s and 40s, Polanyi may have lacked full knowledge of what was going on inside the USSR. But even if this is granted, it remains true that his discussions of socialism lack the clear-eyed skepticism that makes his critique of liberalism so compelling. This constitutes a problem in his work.

Nonetheless, against my preference for a more cautious and skeptical style of liberalism, it must be said that there is no obvious way to demarcate a false and dangerous utopianism from a viable desire for change. (Indeed, Polanyi tacitly accuses neoliberalism of failing to understand this very point when it relies on an impersonal theory of markets to delegitimize plans for social reform). The utopian temptation to seek a single social order in which all good things are possible, although it can become destructive when carried beyond some uncertain point, seems to be intertwined with a healthy faith in the future that motivates change and guards against nihilism. There are several reasons for this. First, programs and desires that appear impossibly utopian during one era often become viable at a later date. Plato and Aristotle, for example, might have been shocked to find a flourishing society without slaves. Second, because, as Francis Fukuyama notes, humans tend to entrench customs and institutions by attributing to them transcendent meanings and values, it is sometimes the case that change requires a touch of utopian zeal to shake up existing practices and mobilize dissent.²⁵² Perhaps the abolition of slavery in America could not have happened when it did without the millennial radicalism of some abolitionists. Who is to say? For these reasons, the

²⁵¹ Dale, Gareth, *Karl Polanyi: The Limits of the Market*, Polity, 2010, 7.

²⁵² Fukuyama, Francis, *The Origins of Political Order: From Prehuman Times to the French Revolution*, Farrar, Straus, and Giroux, 2011, 6.

version of liberalism that I am advocating would need to be careful about casting aspersions on the political aspirations of others, even as it attempts to temper certain political desires and goals.

Polanyi is at his best when he attempts to conceive social change from a perspective of moderation and cautious faith in the future. Although he advocates social democracy and political reformation, he usually tries to balance these goals with a skeptical stance that refuses to allow a single theory or a conception of impersonal order to overwhelm his vision. Unlike utopians, who sometimes seek to embrace the future as rapidly as possible, Polanyi asks what is perhaps the central question of the tragic stance: “Why should the ultimate victory of a trend be taken as proof of the ineffectiveness of the efforts to slow down its progress?”²⁵³ This question reminds us that political projects can produce enduring value in the short and near-term, and this remains the case even if long-term trends eventually overwhelm the projects we champion today. Moderating change, creating spaces of stability within flux, upholding value where it exists within the current political order, these are not trivial goals.

This reminder to seek constructive zones of engagement is especially important at the present moment, when politics seems once again to be taking on an apocalyptic tone. Indeed, the current milieu bears an uncanny resemblance to Polanyi’s description of the years prior to the eruption of fascism, a time characterized, he says, by “irrationalistic philosophies, racist aesthetics, anticapitalist demagoguery, heterodox currency views, criticism of the party system, [and] widespread disparagement of the...existing democratic setup.”²⁵⁴ My own sense is that, at present, no single group or political ideology has a monopoly on these tendencies and beliefs, which seem to be meted out across the political spectrum with distressing consistency.

²⁵³ Ibid., 39.

²⁵⁴ Ibid., 246.

We seem to be entering another period in which politics is vulnerable to that oscillation between radicalism and reaction that Polanyi tried to forestall. His tragic vision attempts to short-circuit this cycle by altering our conception of temporality and the powers of human action, that is, by shifting the experiences and expectations we bring to politics. Too short a perspective leads to a disinterested myopia; too long a perspective devalues the present and engenders infatuation with simplistic impersonal theories. But engagement can take place somewhere in-between these two horizons. For example, Polanyi observes that the policies of the Tudor and Stuart monarchies that worked to slow the spread of the enclosures in early modern England made the transition to capitalism bearable, even though they were ultimately incompatible with the larger trajectory on which England was embarking.²⁵⁵ Similarly, perhaps we should look back with gratitude on the considerable achievements of the 20th century welfare state, even if we come to suspect its essential incompatibility – at least in its present form – with long-term economic and demographic trends. A tragic ethos is willing to affirm the value of political projects that succeed only in part and for a time. It may also be the case that political freedom only assumes meaning against a background of larger forces that render its full realization imperfect, and that we must therefore live in the interim. The desire to ask for more is the lure of utopianism.

²⁵⁵ Ibid., 39.

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Ph.D, Department of Political Science, The Johns Hopkins University, 2016

B.A. with Honors, *summa cum laude*, Political Science, The University of North Dakota, 2008

CONFERENCES AND PRESENTATIONS:

Midwestern Political Science Association, “Karl Polanyi and the Experience of Economics,” 2015

Western Political Science Association, “Impossible Information: Some Implications of the Thought of Friedrich Hayek”, 2014

Department of Political Science Colloquium, “A Critique of Karl Polanyi”, 2011

PEER REVIEWED PUBLICATIONS:

“The Limits of Transformation: Contemporary Applications of Karl Polanyi,” *The Australian Journal of Political Economy*, Issue 76, 2015.

AWARDS:

Dean’s Teaching Fellowship, The Johns Hopkins University, 2014-2015

Paul A. McCoy Award; JHU Political Science Department, Best Seminar Paper, “Hegemony, Ideology, Governmentality: Machiavelli’s Role in Gramsci, Althusser, and Foucault”, 2010

Outstanding Student in Political Science, North Dakota University Department of Political Science, 2008

Lloyd Ohmdahl Scholarship for Best Paper, North Dakota University Department of Political Science, 2007

DISSERTATION:

The Double Focus: Process and Predicament in Political Economy, Fall 2016

COURSES TAUGHT:

The Ethics of Capitalism, The Johns Hopkins University, 2015-16

Philosophies of Capitalism from Rousseau to Hayek (AS.191.333.01), The Johns Hopkins University, Fall 2014

Friedrich Hayek on Liberty and Order (AS.191.329.13), The Johns Hopkins University, Intersession 2013

PROFESSIONAL MISCELLEANY:

Reviewer, *Journal of Economic Issues*, 2016

Teaching Assistant: Contemporary International Politics, Comparative Politics, Republicanism, International Political Economy

Press Internship, Senator Kent Conrad, Washington D.C., 2008

Member, American Political Science Association

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